JPRS 77373

12 February 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2092

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CEMA INTEGRATION COOPERATION, EXTERNAL RELATIONS DISCUSSED

Budapest GAZDASAG in Hungarian No 2, 80 pp 116-123

[Article by O. Bogomolov, director Institute of Socialist World Economy of the USSR Academy of Sciences: "CEMA Integration Cooperation and External Contacts"]

[Text] The line of peaceful coexistence and a reduction of international tension has an unbreakable link with an expansion of mutual and equal cooperation among states with different social systems. In the last 10 years the activation of commercial, production and scientific-technical contacts with developed capitalist countries and developing states has without doubt played a positive role in the economic development of the socialist countries.

Prospects for Cooperation wtih Third Countries

At the same time--since approximately the middle of the 1970's--the objective conditions for cooperation among states with different social systems have changed substantially; new tendencies have appeared in the world economy, the far-reaching effects of which certainly affect the interests of the CEMA member countries also. Of these we must mention primarily the following:

--The general decline of business in the west, the serious crisis symptoms in the capitalist world economy, the deterioration in marketing conditions for the products of the socialist countries and the decreasing interest of our western partners in cooperation with the CEMA member countries in connection with the greatly increased real or potential role of new markets--some quickly industrializing developing countries, the OPEC countries and China.

--The increase in the price of petroleum in the capitalist world economy, twelvefold compared to 1973 and twentyfold on the free market, and the fact that there has not been a substantial change in current use suggests that the market situation which has developed on the fuels market will not only persist until at least the end of the 1980's but will even sharpen further.

--The leading capitalist countries are incapable of dealing with inflation. The general price increase process taking place in the world economy is appearing--although to a decreased and weakened extent--in the mutual relations of CEMA countries. Credit is becoming more expensive at a swift pace. The entire international exchange and financial system has become unstable and is an independent factor in the general economic decline.

--The internal economic conditions for the development of the CEMA countries have changed also. The tasks of a general intensification of the economy, increasing efficiency, improving quality and making use of the achievements of the scientific-technical revolution, have come to the fore in the majority of the socialist countries. It can be increasingly observed that the process of socialist integration is strengthening in the economies of the friendly countries. These countries are uniting their efforts for a collective solution of the most significant economic problems.

--From the other side, beginning in the second half of the 1970's, one can observe a certain slowing in the rate of growth of the national incomes of the CEMA member countries and that they have not yet succeeded in preventing the lack of balance between production on the one hand and producer and consumer demand on the other. The shortage of several important products (including fuels) has sharpened on the international market of CEMA. Investment possibilities are limited. The mechanism of mutual cooperation has not adapted adequately for an efficient solution of the integration question complex.

Such general problems of the CEMA member countries as the weakness of their traditional export bases and the unsatisfactory competitiveness of their finished product export have appeared ever more openly in the area of cooperation among states with different social systems in recent years. Difficulties have appeared in providing the necessary export goods base, due to tensions in domestic supply, the structure of import is not sufficiently rational, their trade with the west is chronically deficit and their indebtedness with their western partners is increasing greatly.

All these things together have prompted us to evaluate with appropriate caution fo the period of the 1980's the prospects for cooperation by CEMA member countries with states with different social systems. This does not and cannot involve (primarily for objective reasons) a national or collective autarkic line. In his message to the participants at the 33rd session of CEMA, L. I. Brezhnev, first secretary of the Central Committee of the CPSU, said: "In the future also the Soviet Union is ready to aid to the maximum degree the efforts of CEMA to expand mutually advantageous contacts with other states and organizations; it is fighting for a just solution to the basic problems of the world economy and for an improvement to the entire system of international economic relations."

Exploiting the advantages of a broad international division of labor will remain in the 1980's an important factor for the intensification of the economies of all CEMA countries. For this reason one can expect not a decrease but rather an expansion of the magnitude of economic cooperation with states with different social systems. At the same time there can be no doubt that the CEMA countries must further improve the material conditions for their participation in the world-wide division of labor, must rationalize their contacts with states with different social systems, must unite their efforts to solve common tasks and must neutralize all those negative tendencies which have developed in recent years.

The Interdependence of Outside Cooperation and Cooperation Within CEMA

Those possibilities which reside in socialist integration can play an important role (more active than at present) in increasing efficiency and in contacts with

western and developing countries. The socialist countries already have positive experiences which can be used to appropriately develop their contacts with states with different social systems.

An example of such successful cooperation is the joint acquisition on western markets of the steel pipe and compressor stations for the construction of the "Alliance" gas pipeline and of the equipment needed for the Ustyilimsk Combine. These joint actions certainly offer significant advantages to the countries participating in the gas pipeline investment. We know very many other examples from practice where the cooperation among our countries in the area of production specialization and cooperation is linked in this or that way with the development of cooperation with the firms of western countries. The production cooperation for the Lada passenger car is such an example. This is manufactured in the Soviet Union on the basis of a Fiat license. In addition to satisfying the domestic needs of the CEMA member countries participating in the cooperation these cars can be sold on the markets of third countries. The investment and production cooperation of the KAMAZ factory is of a similar nature.

In Hungary the development of autobus manufacture is based on the one hand on scientific-technical and production cooperation with the Soviet Union and other CEMA member countries and, on the other hand, on the production of modern diesel engines manufactured by using a license of the West German MAN firm. They organized the manufacture of rear assemblies, of outstanding quality and of types standardized with the Soviet Union, using equipment of great precision and productivity obtained in the west. The large volume of stable orders from the Soviet Union for IKARUS autobuses made it possible for Hungary to appear on the markets of third countries also as one of the most significant producers of autobuses in the world.

The Soviet Union and Hungary have signed a production specialization and cooperation agreement for the manufacture of painting equipment, one in which Hungary delivers crop protection materials in return for large volumes of Soviet chemical industry products and a few others in connection with which Hungary will develop the production of certain products by acquiring western licenses and in cooperation with western firms.

We must admit that thus far the volume of our joint economic contacts with the non-socialist world is still far from our potential possibilities. There can be no doubt that the number one problem in this area is the export goods base, export capacity, the competitiveness of our export and, we might say, the size of our entire "export expansion." We face common tasks and uniting our efforts on a collective foundation is the most important and indeed constant condition of our common success.

The ever more active participation of the CEMA countries in the international division of labor on the basis of production specialization and cooperation is of especially great significance under present conditions and for the long term from the viewpoint of the successful and intensive economic growth of these countries. There are broad possibilities for this within the frameowrk of CEMA. The ratio of goods delivered within the framework of cooperation and specialization is 25-30 percent in the mutual trade of the CEMA member countries, which corresponds to the level of such trade among developed capitalist countries.

But this cooperation does not yet correspond fully to the existing possibilities and needs. Compared to the total volume of specialized machine and equipment deliveries the ratio of parts, main unit and technological specialization is low, only 10-15 percent; the share of economically and technically new, modern products in these deliveries is low, not reaching 10-12 percent of the specialized products. The production specialization and cooperation agreements do not result in the creation of new production capacity or the technical reconstruction of existing plants.

The CEMA countries are turning ever greater attention to subordinating their bilateral and multilateral cooperation to the solution of basic problems of scientific-technical development, including the joint construction of large production installations, production specialization and cooperation and scientific-technical integration. This will make it possible to expand and make more efficient the foreign economic contacts with third countries as well.

Ferrous and nonferrous metallurgy, mining equipment, equipment for nuclear power plants, transportation and agricultural machine manufacture, hydraulic and pneumatic equipment, irrigation and soil improvement equipment and the machine tool industry may become the areas offering the greatest prospects for the appearance of CEMA countries on the markets of third countries. Soviet-Hungarian efforts could bring results--for example, the realization of joint ventures in the area of the aluminum industry, in several areas of the heavy current and electronic industry and in the manufacture of turbines, generators and transportation equipment.

It is self-evident that significant and complex tasks arise in the development of production specialization and cooperation within the framework of CEMA, the solution of which requires the further development of the internal and international mechanism for cooperation. Among other things greater encouragement must be given to the foreign economic activity of socialist enterprises, increasing interest in and responsibility for signing production specialization and cooperation agreements, modernizing the method for signing agreements, etc.

Raising the level of specialization and cooperation realized within the framework of CEMA is an important supplementary factor in the solution of the economic tasks of the CEMA member countries; this might be transformed into cooperation with partners working in the developing countries too. Long term cooperation of a compensatory nature with western partners is advantageous not only from the viewpoint of the balance of payments. The balance of cooperation trade with the west is positive in the case of Hungary, Poland and Czechoslovakia; it encourages an increase in trade in several commodity groups, primarily in regard to machines and equipment. This accounts for 20 percent of the Polish export to the west, 25 percent of the Hungarian export and more than 10 percent of Czechoslovak export.

There are also several negative effects of cooperation with the west--the technical and technological dependence of industry increases in several important branches, a double system of quality standards is created for various marketing trends and in certain production branches of several countries equipment takes on a different character and parallel capacity develops. The lack of standardization among socialist countries frequently leads, in cooperation contacts with the west, to their not being in harmony with the conditions and requirements for long term

planned development and this frustrates measures aimed at deepening specialization and cooperation within CEMA. But experience proves that as a whole cooperation with capitalist countries is successful in those cases where it is purposefully coordinated with the tasks of developing socialist economic integration.

The trade in patents and licenses between CEMA and western countries has a significant effect on long term cooperation. This accelerates access to leading techniques and technology, resulting in greater economic efficiency as well as significant savings in time. According to some calculations if the products are produced on the basis of a license the economic efficiency which can be attained is 12-15 times greater in Hungary than if the products were purchased, 10-12 times greater in Czechoslovakia and about 10 times greater in the Soviet Union. But thus far the technological exchange taking place within the framework of trade in licenses and patents has not been built into the coordinated planning activity of the CEMA countries. The result of this is that frequently the orientation based on western technology interferes with making more profound the mutual scientific-technical and production cooperation of the CEMA countries. It is no less disadvantageous if the patented and purchased innovations are put into use slowly.

The CEMA countries have significant scientific-technical treasures and coordinating them with the western experimental base and experiences in production could be a condition for cooperation.

In order to accelerate scientific-technical progress it is important that we use the technical and technological innovations acquired from the west, that they be applied quickly in production and that we further develop and perfect western techniques on the basis of the existing or to be established national scientific research scientific research and production capacity. Only in this case can we achieve the expected economic efficiency with which we can occupy a leading position in the world economy. Good examples of this are the organization of cooperation in the GDR with Japanese firms in petroleum processing, the tractor manufacturing agreement with American firms in Poland or the joint development and manufacturing agreement with American firms in Poland or the joint development and manufacture with western firms of numerically controlled machines in the Soviet Union. We think that in the 1980's our common scientific-technical capacities may become tools for the active penetration of the CEMA countries into new markets where the competition conditions have sharpened extraordinarily.

Developing the Economic Contacts of the CEMA Countries and the Developing Countries

In general trade and economic contacts with the developing states have developed at a swift pace and they have become significant commercial partners of the CEMA countries. (This accounts for more than 10 percent of all the foreign trade of the CEMA countries.) At the same time the CEMA countries are not fully exploiting the significant possibilities residing in this. In the 1970's the share of the CEMA member countries in trade with the devleoping states decreased, and this includes trade in machine industry products. A considerable disproportion developed between the level of political contacts which had developed and the volume of economic cooperation, which constitutes the material basis for these contacts and a tool for making them lasting and stable. The relatively low share of mutual trade in the trade of both groups of countries holds back a wider use of efficient forms of international cooperation in solving the important economic problems of our partners.

In the next 10-15 years we should concentrate our efforts on solving the following tasks:

--Joint efforts by the CEMA countries to organize the import of large quantities of fuels and energetics products, especially petroleum, from the developing countries and to organize the acquisition of more raw materials and tropical products.

--Fuller utilization of the powerful machine manufacturing capacities of the CEMA countries to expand machine and equipment export to the developing countries (at present this accounts for about 30 percent of our export to these countries but this satisfies only 4-5 percent of their import needs).

--Carrying out maneuvers to redirect the flow of goods from east-west trade to the devloping countries.

--Solving those institutional problems which hold back the expansion of contacts with developing countries in several CEMA countries and joint action by the CEMA countries.

The Soviet Union and Hungary might develop broader cooperation in working out and executing national programs aimed at developing the productive forces of developing countries. The coordinated efforts and resources of two or more CEMA member countries might be used in third countries to carry out significant economic projects because in many cases one country alone cannot act due to the unsatisfactory nature of its production capacities or because it cannot manufacture some type of product.

What might be involved is primarily possible cooperation in geological prospecting or exploring work, extracting and processing several raw materials or creating industrial and other projects. On the one hand such activity would serve the social-economic development of peoples liberated from colonial slavery and on the other hand the CEMA countries could make use of it for various purposes--to expand acquisition sources for raw and primary materials in short supply (perhaps on a complex basis), to improve the profitability of the import of labor intensive products (such as cotton and leather goods), etc.

There is a possibility for joint Hungarian-Soviet action in developing the scientific-technical infrastructure, for example by delivering all the necessary equipment (on the basis of a division of labor) for the complex creation of educational institutions, health institutions, research laboratories, telephone networks, etc.

The energy sources of the CEMA countries, increasing investment efficiency and a better satisfaction of these needs make it useful to increase the acquisition of these products outside the CEMA zone, primarily from the developing countries. For example, by the beginning of the 1990's the imports of CEMA countries from third countries may increase 3-3.5 times for petroleum and 1.7-1.9 times for bauxite and alumina as compared to the present. The CEMA countries will be forced to import significant quantities of phosphate, copper ore and iron ore. The countervalue of these imports may approach the volume of the export of the CEMA countries to the developing states realized in the middle 1970's.

The large volume import of fuels and raw materials from outside the CEMA zone can be ensured only if we supplement with new methods the developed forms and methods of cooperation, financing and material-technical supply. It must be noted here first of all that in many cases under the sharpening conditions of natural resource shortages the prices cannot be considered the basic criteria in the acquisition of raw materials. From the viewpoint of large imports it is important that we ensure in time on a long term basis access to mineral deposits and what is to be considered is not so much the prices which have developed or ideas connected with advantages at the time but rather the interest of guaranteed acquisition over the long term of an adequate supply of raw materials and fuels.

In the socialist countries the limits on investment and export capacity are the most important brake on the expansion of imports and the acquisition of raw materials from the developing countries. Investments carried out in order to expand export production to cover increasing fuel and raw material imports are not tasks which can be dissociated from the upcoming tasks of the CEMA countries, rather they are variants of investments carried out in this or that branch. In other words, what is involved here is the redistribution of the investment funds of a given country, among the extracting and processing industry branches, with an increase in their efficiency.

"Attaching" these measures to the "fuels and raw materials" part of a long-range cooperation program (perhaps in the form of a special program) might create favorable organizational frameworks for their realization. An important role will be played by cooperation and contracts between the planning organs of the socialist and the developing countries and by the already functioning or to be established international organizations of the socialist countries.

The expansion of mechanical equipment export--and technical know-how export--from the CEMA countries to the markets of the developing countries, more precisely, seeing that the ratio of these products reaches 40-50 percent of the export volume, might be ensured if a part of the production capacity to be created in the machine industry is oriented to the markets of these countries.

In this connection the necessity arises for us to carry out certain changes in the economic-technical functions of the CEMA countries in regard to cooperation with developing countries. This might serve, much more than at present, the development of a lasting division of labor between the two country groups. For this reason we must turn attention to cooperation with our partners in building enterprises the products of which are oriented to CEMA markets and we must adopt new forms of cooperation in which we contribute not only to the creation of single enterprises but rather to the realization of entire regional production units, to long term industrial cooperation, to expanding the network of joint production and marketing associations in complex deals, to multilateral realization of projects on the basis of cooperation wtih the interested CEMA countries, to trilateral cooperation, etc.

It is obvious that we cannot talk about the development of cooperation among CEMA member countries (including cooperation between the Soviet Union and Hungary) in action on the markets of third countries without taking into consideration the most important long-range branch cooperation programs now being developed or to be developed in the future and the long-range bilateral programs for the development

of production cooperation and specialization in the most important branches of the economies of these countries. It is extraordinarily important that the work aimed at developing cooperation with third countries should aid the practical realization of these programs and that the realization of these programs should serve the cause of a rational development of contacts with developed capitalist and developing countries and the cause of improving efficiency.

At present the most important task—as L.I. Brezhnev emphasized in his message to the participants in the 33rd session of CEMA—is to develop long-range programs in a system of concrete agreements and to transform the next two 5-year periods into a period of intensive production and scientific-technical cooperation.

A double task must be carried out within the framework of multilateral and bilateral programs—in addition to increasing the efficiency of the productive forces of our countries we must turn attention to organizing the production of products which are now in short supply and which we must purchase from capitalist countries; at the same time, by virtue of production specialization and cooperation, we must develop the production of definite product types not only to satisfy the needs of the economies of our countries but also to increase the export commodity base which must be sold on the markets of third countries. It is possible and it would be useful to raise the questions of cooperation with non-socialist countries as a separate program in the realization of long-range cooperation programs and of long-range bilateral programs for specialization and cooperation.

8984
CSO: 2500

YUGOSLAV-POLISH ECONOMIC COOPERATION IN 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 16 Dec 80 p 3

[Text] The value of commodity trade between Yugoslavia and Poland next year should reach about $700 million, which is 16 percent more than the results expected for this year. This has been envisaged in the trade protocol for 1981 recently signed in Warsaw. The protocol provides for deliveries to be balanced between the two countries, that is, they would amount to $350 million in each direction.

In economic cooperation between the two countries transactions involving long-term specialization and cooperation, whose value would be about $118 million on each side, will again be an important item next year. This represents 30 percent of total trade and about 50 percent of trade in the field of machinebuilding, which is certainly an outstanding feature of mutual economic relations, especially since this form of cooperation is being conducted without major difficulties.

The most important of these transactions involving cooperation is in the motor vehicle industry and specifically applies to the production of passenger cars, for which mutual deliveries next year will be balanced at $52 million, and in the production of buses and trucks, which will be balanced at $20 million. Specialized trade in agricultural machines and tractors will amount to $15 million of exports and the same amount of imports. Cooperation in the electronics industry, where mutual deliveries are planned at $7 million in each direction, also represents an important item.

Of the other industries represented in this form of cooperation we should emphasize this type of arrangement in the production of machine tools, medical equipment, braking devices for the automobile industry, household appliances, and so on.

Other exports to Poland next year will be equipment for the fuel and power industry and the processing industry in the amount of $15 million, and then 480 railroad tank cars, construction machinery, tools, mining equipment, products of the electronics industry, porcelain electrical products, and storage batteries.

The most important exports in the group of raw materials and producer goods are alumina and nickel in the form of ferronickel under long-term credit arrangements, and then the products of ferrous metallurgy. Provision has also been made for sizable exports of chemical raw materials and products and for exports of ferroalloys. Exports of consumer goods and raw and processed foods will amount to more than $45 million.

A sizable portion of our imports from Poland, aside from deliveries on the basis of cooperation and specialization in the motor industry and the production of agricultural machines and tractors will be represented by deliveries of complete fuel and power facilities in the amount of $30 million, mining equipment in the amount of $14 million, construction machinery in the amount of $5 million, etc. Next year we will also import from Poland rolled products of ferrous metallurgy, coal, though in somewhat smaller quantities than up to now because of difficulties in production in Poland. We will import 60,000 tons of sulfur, and provision has been made for increasing deliveries during the year. In the conclusion of contracts for deliveries of coal and sulfur, whose production in Poland has diminished considerably of late, the Polish side has been very accommodating, which is a confirmation of the determination of the two countries to maintain the continuity of good economic relations even in the most complicated situation.

Imports of 15,000 tons of lye have been provided for for the chemical industry, and this amount may be increased during the year, and then phosphoric acid and soda ash will be imported on the basis of a long-term contract on specialization and industrial cooperation, and exports of tribasic sodium phosphate, which is a very important raw material, have been envisaged as a counterdelivery.

In addition, next year we will also be importing from Poland soft pulpwood (40,000 square meters), telegraph poles and conifer lumber. Plans for next year also include sizable imports of frozen fish, valued at $5.5 million, and consumer goods in the amount of $24 million, within which imports of textile fabrics would be $11 million.

In conclusion we should emphasize that it was agreed when the protocol was signed that the competent authorities of the two countries, insofar as they are able, will act in good faith with respect to deliveries of those goods not provided for in the commodity lists because the commodity lists themselves are only indicative in nature.

The protocol was signed by Alija Basic, federal undersecretary for foreign trade, and Wladislaw Wiyezda, Polish deputy minister of foreign trade and the maritime industry.

7045
CSO: 2800

ONE-SIDEDNESS CONCEPT OF FOREIGN TRADE SCORED

East Berlin DIE WELTBUEHNE in German Vol 75 No 50, 9 Dec 80 pp 1576-1579

[Commentary by Walter Florath: "On the Subject of Foreign Trade"]

[Text] The "German Institute for Economic Research," residing in West Berlin, believes it has discovered "that new concepts have dominated the GDR economy in the last year of the current five-year plan. The dominance of foreign trade is becoming more and more apparent." This nonsense shows once again that bourgeois ideologues do not comprehend the meaning of socialism or do not want to comprehend it. The planned socialist economy is not an export-import firm. Our economic and social policy is not subordinated to foreign trade. The strategic concept for future years is unchanged--full employment, national prosperity, economic growth and stability--these are the main directions of our work. Foreign trade, too, serves that and no other purpose, and this is something quite different from what the institute maintains.

Our republic carries out intensive and extensive foreign trade. About one-third of the industrial production is exported. Such data sometimes arouse the impression that foreign trade is depriving us of goods that we could well use ourselves. If that were true, then the living standard of the GDR would be lower than in any other CEMA state, since our per-capita foreign trade is the greatest. However, our living standard--not least because of our successful foreign trade--is very high, both within CEMA and in comparison to industrialized capitalist states. Foreign trade is not export along; these exports are the basis for necessary imports. Without imports our country would have neither gasoline for the Trabi nor coffee for gemuetlichkeit, neither cotton corduroy nor aluminum, there would be no phosphate fertilizer and no tobacco. For this is one of the two functions of foreign trade--to obtain items that do not exist in our land or don't grow in it. About 60 percent of the raw materials we use must be imported. Their prices, especially those of energy-related raw materials, have risen much faster than those of industrial finished goods. To reduce the difference it is necessary that not just any old goods be exported, goods whose quality does not really suit us ourselves, but ones of high technologically value whose production required great refinement of the raw materials and for which we receive a great deal of money on the world markets.

The second task of foreign trade is to make sure that a country "receives goods at a better price than it could produce itself," as Marx wrote. With foreign trade we conduct our participation in the production-increasing international

division of labor. Modern production today requires funds for research and investments that a small country cannot afford in every area. In many cases these means are cost-effective only when the products are manufactured in numbers that exceed the requirements of a small country. Production runs of our metal industry are still often below the optimum for a most efficient production. This is another reason why it is wrong to say that the GDR exports too much. Top-quality items, produced more rationally, that can be marketed easily, permit foreign trade to make a greater contribution to the growth of the national income.

Trade with CEMA countries, amounting to about 70 percent of our goods exchange, is of decisive importance to the stability and dynamics of our national economy. Most of our imported raw materials are obtained from the USSR. This insures us greatly against the maneuvers of multinational concerns and political pressure. The CEMA countries represent a stable market with no business swings for the exports of our finished industrial goods. For some years foreign trade within CEMA has been based on coordinated national economic plans. Foreign trade thus becomes not only especially stable, but also an instrument for socialist economic integration. The proportion of goods that the GDR exports to the CEMA countries on the basis of specialization agreements grew from 1 to 31 percent in the years 1970-1979. These "specialized products" comprise 41 percent of our exports to the USSR. A few weeks ago the GDR concluded planning coordination with CEMA for the 1981-1985 Five-Year Plan.

Within the structure of our exports (not only to CEMA countries but altogether) machines and plant equipment dominate with 55.8 percent, as has been the case for past years as well. The proportion of raw materials and semifinished goods--such as potash or briquets--is 17.9, that of industrial consumer goods 14.9, that of chemicals and construction materials 11.4 percent.

In imports the first place is held by all kinds of raw materials and semifinished goods with 52.2 percent. Machines and industrial equipment follow with 33.1 percent--an expression of our participation in the international division of labor. Of the imports 5.3 percent are consumer goods, 9.4 percent chemicals and construction materials.

Our imports from developing countries consist not only of raw materials. Here, too, the proportion of industrial finished goods is growing. Thus we buy machine tools in India. In part we need them for certain purposes in our own industry, in part we need them when we export complete plants. For a complete plant requires repair shops with simple lathes, power drills, etc. The import of such machines enables our tool die combines to concentrate on the production of the most modern automated machine systems.

The proportion of capitalist industrial countries in the foreign trade volume of the GDR was 26 percent in 1979. From them we naturally buy primarily modern industrial equipment. In the trade between the FRG, France, Japan and the United States reciprocal deliveries of modern industrial facilities and technical consumer goods represent the largest sector. Specifically--in 1979 the FRG imported 59 percent of its requirements of electronic data processing facilities and office machines, 18 percent of machine construction production, 30 percent of precision mechanical and optical products, and 19 percent of the electrotechnical goods sold.

All arguments by journalists of these countries to the effect that the concerns are doing us a favor with their deliveries cannot be sustained because of this simple question: Since when is imperialism working as the benefactor of socialism? Mutually useful deals are in question. For example, the chairman of the board of Salzgitter AG stated recently: "We (i.e. the public of the FRG--W.F) should give up the widely cherished notion that our orders or deliveries are a gift." In July the FRANKFURTER ALLGEMEINE ZEITUNG wrote in a report about the statements of the chairman of the board of Krupp: "The business with the East was of 'decisive importance' to Krupp." The words of the Austrian Federal Chancellor Dr Kreisky during his visit to the capital of the GDR should also be recalled. At the time he said at an international press conference that Austrian banks want to do business when they support trade with the GDR by granting credits. The agreements recently signed during the visit of Erich Honecker to Vienna show how mutually beneficial such business can be.

Our trading with capitalist concerns is often carried out on the basis of barter deliveries. That is, an imported industrial facility will be paid with deliveries of a part of the products that we are making in these facilities. For example, we are paying the Italian Danieli firm for a high-grade steel factory built in Brandenburg with deliveries of steel. Japanese firms, vendors of the cracking and aromatic substances complex for the PCK Schwedt, will in turn receive petrochemical products.

While the FRG press often attacks the compensations, the business world expresses itself quite differently. High officials of the FRG Ministry for Economics have also stated that the economy of their country "has to date not been harmed by compensatory deliveries or their prices," and stressed that "the Western buyer of compensatory goods can put them to good use."

And why not? Compensations are, by the way, not an invention of socialist foreign trade. The Duesseldorf HANDELSBLATT, for example, reported on 16 December 1977 that the compensation trade "began...in the mid-1960s...when Belgium bought its first tanks from the FRG. The condition: The country (i.e. Belgium--W.F.) had to be offered technical and economic compensation. And thus in return Belgium delivered goods valued at DM 730 million to the FRG."

LES ECHOS wrote in December of 1978: "Canada demands a 100-percent compensation for the purchase of nuclear ice breakers." The French newspaper remarked that "both the geographic field...as well as the scale of the bartered products is constantly expanding... The agreement signed by Citroen and the GDR can be regarded as an example of a good deal." We agree, and in this manner the GDR foreign trade with capitalist industrial states does not become a one-way street.

An indication of how interested the concerns are in trading with us is shown by the reports of capitalist newspapers about the Leipzig fair. In March 1980 the SUEDDEUTSCHE ZEITUNG reported that FRG exporters were, "in their negotiations with the GDR, more and more aware of the competition from Western industrial countries." The same paper should be cited as a corrective for the occasionally expressed opinion that our foreign traders are selling too cheaply and buying too expensively: "The Leipzig spring fair..meant for the FRG exhibitors strenuous price wars...there were...numerous negotiations, at which Western price concepts could not always be sustained."

In any case our foreign traders deserve respect. It is hard work to realize our export aims in these countries during the currently developing new crisis of the capitalist world. There are additional difficulties. The NEW YORK TIMES regrets that the United States has still not gratedd the so-called most-favored nation status to the GDR. The newspaper writes that "this means that an imported printing machine from the GDR increases 40 percent in price due to custom regulations."

Not only does that make our exports more difficult, but it is also unfavorable for the American importers and in turn for the American exports to the GDR. But more interest should be paid to exports to the GDR, states the NEW YORK TIMES, since "the GDR with its 16.7 million consumers enjoying a relatively high standard of living," must be considered "an important market."

9240
CSO: 2300

STATISTICS PROVIDED ON 1980 HOUSING CONSTRUCTION

East Berlin NEUES DEUTSCHLAND in German 24 Dec 80 p 3

/Article by Hans Rehfeldt: "The Great Housing Construction Program Is Being Implemented Point by Point--Successful Accomplishments in the Republic's Housing Construction for 1980--More Pleasant Living for an Additional 440,000 Citizens"/

/Text/ Up to the end of November: 147,557 housing units constructed or modernized.-- 1976-1980 Five-Year Plan targets met as early as September.-- Two-thirds of all new housing units for workers families.-- Volume of housing construction almost doubled in 1971-1980.-- Some 100 billion marks spent on this in the past 10 years.-- Housing conditions generally more pleasant for about 4.2 million people since 1971--440,000 this year alone.-- Stable and low rents maintained.-- Expenditure on housing construction and administration in the coming year: M7.7 billion.-- That is 9.4 percent more than in 1980.-- Most ambitious plan target in the year of the Tenth SED Congress: 174,500 housing units to be constructed or modernized.

The republic's construction workers have successfully contributed to our satisfactory development as noted by the Thirteenth Central Committee Plenum. The report by the SED Central Committee Politburo says "the housing construction program, a pillar of the sociopolitical program, is being energetically pursued." Evidence of the steady and dynamic development in this field is provided by the handing over of 147,557 housing units by the end of November, including 102,896 new constructions. The report notes that "housing conditions for another 440,000 citizens are thereby made more pleasant."

Implementing an Old Target of the Working Class

In the meantime party and government have set the targets for the new year. They are intended successfully to continue the tried and tested line of the main task in its unity of economic and social policy. The new construction and modernization of 174,500 housing units in 1981 is intended to improve housing conditions for more than half a million people. That is the most ambitious goal yet in an annual plan. The financial resources appropriated for 1981 housing construction and administration amount to M7.7 billion, 9.4 percent more than in 1980.

Led by the party of the working class we will therefore resolutely tackle the successful implementation of an old target of the revolutionary German workers movement, that is to settle the housing problem as a social issue.

To have decent housing--this elementary and vital need can be met for all members of society only in real existing socialism. Even in the most developed capitalist countries large sections of the working class, especially the unemployed, large proletarian families or so-called guest workers, are far from this goal. In view of the fact that housing construction there represents merely a capital investment which must yield interest and profit, there are even some poorest of the poor who have no home at all, although enough accommodation stands empty. Those protesting this blatant injustice (lately, for example, West Berlin apartment seekers), are taught by brutal police intervention, by nightsticks, tear gas and water hoses, who really exercises power in the "free world."

Improvements for Every Fourth Resident

In 1971 the Eighth SED Congress clearly stated: "We recognize only one goal which penetrates all our party policies: To do everything for the welfare of man, for the happiness of the people, for the interest of the working class and all working people."

After deliberately weighing the real potential, it was decided to do everything possible in order to settle the housing problem as a social issue by 1990. The Ninth and Tenth Central Committee Plenums in May and October 1973 decided on specific measures for a further push in housing construction as a top priority for the development of the socialist lifestyle.

Adopted at the Tenth Plenum was the GDR housing construction program for the period 1976-1990. The delegates to the Ninth SED Congress incorporated this target in the new party program. The target formulated by the party congress said: "From 1976-1990 a total of 750,000 housing units are to be provided by new construction and modernization, including 550,000 new units."

At the Seventh Construction Conference of the SED and the Council of Ministers, meeting in June last in Berlin, Erich Honecker drew up a balance sheet of results to hand. These very clearly demonstrate the advantages of socialism in this field also.

The volume of our housing construction nearly doubled in the period 1971-1980. By the end of these 10 years more than 1.4 million housing units will have been either built or modernized in our country.

Housing conditions are more pleasant for some 4.2 million citizens--in other words every 4th resident of the GDR. Embodied in our total economic and social policy, the successes achieved in housing construction benefit our people's social security, their sense of security and their optimistic outlook.

Available at this time in the GDR are 6.7 million housing units, that is 400 per 1,000 residents. By 1990, within the extremely brief delay of only 3 five-year plans since 1976, we are aiming for every household in our republic to have its own home, in good structural condition, responding to modern demands and appropriate to the size of the family.

We are interested especially in dealing with the regional differences in the availability of living space and social facilities as well as in the condition of the housing units which we have inherited from the capitalist era. Accordingly other party and government decisions are concerned with planning the greatest rate of increase where the greatest housing problems still persist. That applies especially to the capital of our republic and such major cities as Leipzig, Karl Marx Stadt, Dresden or Halle.

Two-thirds of the new housing so far constructed were allocated to workers families.

A large family moved into every 10th home, every 5th was handed over to young married couples.

Furthermore: Our socialist state guarantees that rents shall not be increased in the 1980's either beyond the amounts to which they were lowered in 1972 or set for new housing since.

At the same time we must emphasize that our republic is among those countries which do most for the coming generation. This also is reflected in the earlier results of the housing construction program. Every third student in our republic, for example, attends a new school, constructed after 1971. Every third child, aged 3-6, attends a new kindergarten. Provided in the period 1971-1980 was a total of more than 116,000 day care places and 220,000 kindergarten places. More than 1,500 schools were built, providing 33,400 classrooms and 1,285 gymnasia. In recent years the number of school swimming pools has risen from 96 to 182.

Construction--A Matter for the Economy as a Whole

The targets of the five-year plan now nearing its end have been implemented by the achievement of unprecedented results in the unity of new construction, modernization and the maintenance of the building stock. As confirmed by Minister Wolfgang Junker the 750,000 housing units to be constructed or modernized in the 1976-1980 Five-Year Plan were finished in early September. Ever since work has been steadily proceeding on the overfulfillment of the five-year plan targets of the housing construction program which, as Wolfgang Junker stressed at the 13th Central Committee Plenum, "will in future also be implemented point by point."

These facts offer persuasive proof of the realism of our challenging project, a result of the increasing creativity (achieved with the purposeful leadership of the party) of the working class and the intelligentsia in construction as well as their partners in many sectors of the economy as a whole.

We are devoting enormous resources to the settlement of the housing issue. Some M100 billion have been spent since 1971. In 1980 10 percent of our entire national income were assigned to this task. Entire sectors of the economy have been greatly expanded with a view to the housing construction program. Let us recall, for example, the building materials industry, the metallurgical and chemical industries, energy supply and even transportation, or industries such as the furniture industry. Produced, transported and processed from 1971-1980 for housing construction and administration were 11 million tons of cement, 68 million tons of aggregates, millions of doors and windows and enormous quantities of structural steel, floor covering, window

glass, wallpaper, paints, kitchen stoves, dishwashers, fittings, bathtubs, and so on and so forth.

Our construction workers were given efficient means of production. At the present time each construction worker is equipped with basic assets amounting to M50,000. When the republic was founded, 2,400 hours per housing unit were needed to carry 117 tons of material across scaffolding; the present requirements are only about 600 hours and 83 tons of material, although each unit is of better quality. Decreased at the same time has the need for heavy manual work on the construction site.

Encouraged by these results the Seventh Construction Conference in June last staked out the targets through 1985, because much still remains to be done. The conference discussed how best to expand housing construction in the coming five-year period to 930,000-950,000 units, including 600,000 new units. Of increasing importance here is the linkage between new construction, modernization and the maintenance of the building stock for the even greater social effect of the housing construction program. Improvements in housing conditions are to be realized everywhere, in every city and every village.

Following the slogan "the best for the Tenth SED Congress! Everything for the welfare of the people!," the 800,000 construction workers are doing their very best further to raise productivity, especially by the application of new scientific-technological advances.

The Seventh Construction Conference focused on the main targets. The output of the construction industry is to rise by 5 percent annually. This rise in capacity is to be achieved mainly by qualitative growth factors. The most important reserves for doing so are to be found in scientific-technological advances and the improvement of technological standards. Following a saving of 85 million working hours the social labor capacity is to be used with steadily greater productivity.

More and Better at Less Expense

The construction industry uses some 9 percent of the total materials consumed in the GDR. It is thus one of the major materials consumers in our economy. For that reason alone materials management acquires greater and greater importance. In practical terms at least half of the production growth of the 1980's must be achieved by materials conservation. This will require consistent attention to the most advanced scientific-technological standards. Some two-thirds of production growth must be achieved without the use of additional energy. Moreover construction must contribute to an at least 30 percent reduction in energy consumption for heating, ventilation and lighting by comparison to hitherto customary volumes. Just 1 percent conservation of primary energy for residential heating saves some 300,000-350,000 tons of brown coal. That volume corresponds to about half the daily output of all brown coal strip mines in our republic.

The Seventh Construction Conference set the target of reducing construction expenditure by 15 percent. Next year already 4-5 percent of this must become plan effective. Actually the construction industry is confronted with the challenge largely to earn from its own resources the material conditions for the tremendous rise in performance necessary in the 1980's. As facts prove, the construction workers have successfully started out toward this target in preparation of the Tenth SED Congress.

11698
CSO: 2300

COAL MINING TRUST ABOLISHED, MANAGEMENT MODERNIZED

Budapest MAGYAR KOZLONY in Hungarian No 94, 18 Dec 80 pp 1330-1331

[Resolution No 1053, 18 December 1980, of the Council of Ministers on the modernization of coal mining management]

[Text] 1. The Council of Ministers approve the 31 December 1980 termination of the Hungarian Coal Mining Trust.

2. To coordinate the activities and the mineral resources management of the coal mining enterprises listed in the appendix to the resolution, the Council of Ministers establishes--onbasis of Law VI, 1977, Article 53, paragraph 2 regarding state enterprises--on 1 January 1981

a) The Coal Mining Coordination Center (hereinafter: Center), and

b) The Coal Mining Management Council (hereinafter: Management Council.

3. The Center is a legal entity, headed by the chairman. Publication of the founding resolution and the exercise of employment rights relating to its chairman and deputy chairman belongs to the minister of industry.

4. The chairman of the Center

a) on the basis of this resolution

--determines in an exceptional situation the production tasks for assuring supply;

--makes decisions regarding the purposeful allocation of centralized technical development funds granted for coal mining;

--in harmony with the technical development plans makes decisions in branch-level questions on standardization and normalization;

--makes decisions on the determination of enterprise limits regarding socio-political programs (for example, construction of miners' housing) organized from central funds.

--establishes the organizational and operational regulations of the Center;

b) attends to those enterprise-related tasks with which he has been invested by the minister in the founding resolution; but the chairman is not authorized to establish or terminate an enterprise, to establish or modify its sphere of activity, or to withdraw or regroup its means; he cannot issue instructions for the conduct of activity--with the exception of provisions under point 4 a)--on behalf of the enterprises; he cannot exercise employment rights over the managers and deputy managers, he cannot perform supervisory control;

c) to promote enterprise management, he attends to decision-preparing, analytical and transaction tasks in the area of economic organization and development tasks established in the founding resolution;

d) in questions affecting enterprise management--in a sphere established in the founding resolution--he cooperates in the carrying out of tasks of the Ministry of Industry and the functional managing organs.

5. a) The Ministry of Finance in agreement with the Ministry of Industry determines the manpower and cost norms of the Center and the rules of cost accounting.

b) The costs of maintaining the Center are borne by the enterprises in a proportion determined by the Management Council.

c) The material incentive rules established for coal mining workers are valid for the workers of the Center.

6. a) The members of the Management Council are the directors of the coal mining enterprises and--with advisory rights--the chairman of the Center. On the basis of this resolution, the Management Council itself establishes its organizational and operational rules and moreover elects the chairman from among its own members for a limited period of time.

b) The Management Council makes its decisions by a majority vote. Unanimity for a decision is necessary in questions where this is required by the organizational and operational rule.

7. The Management Council

--coordinates at the branch level the long and medium term plan concepts of coal mining, its annual plans, with attention to the energy needs of the economy;

--coordinates the development, technical development concepts of coal mining;

--coordinates the operative production problems affecting coal mining as a whole;

--gives its prior view on the more important problems that belong in the sphere of authority of the Center chairman;

--gives an opinion on the position of the industrial branch in the process of preparing the basic economic guidance decisions affecting coal mining;

--it makes a decision on the size and use of the joint development fund handled by the Center, which the enterprises establish at the Center for the implementation of investments serving joint goals;

--it decides on the distribution among the enterprises of the operation costs of the Center or the management service and commercial unit.

8. The control minister is responsible for carrying out the reorganization of coal mining management; the measures related to the organization change must be done with the participation of the affected ministries.

9. This resolution is valid on the day of its proclamation. Council of Ministers Resolution 2022, 6 May 1974, loses validity on 31 December 1980.

Gyorgy Lazar
Premier

Appendix to Resolution 1053, 18 December 1980

Enterprises Operating in the Framework of the Coal Mining Coordination Center

Derog Coal Mine Enterprise

Mecsek Coal Mine Enterprise

Borsod Coal Mine Enterprise

Nograd Coal Mine Enterprise

Matraalja Coal Mine Enterprise

Veszpre Coal Mine Enterprise

Oroszlany Coal Mine Enterprise

Tatabanya Coal Mine Enterprise

Mining Supply Enterprise

6691

CSO: 2500

PRICE POLICY OF SIXTH FIVE-YEAR PLAN DETAILED

Budapest FIGYELO in Hungarian No 52, 24 Dec 80 p 3

[Article by Bela Csikos-Nagy state secretary: "The Price Policy of the Sixth Five-Year Plan"]

[Text] The price policy conception for the period 1981-1985 is the third middle-range price plan. The first middle-range price plan for the period 1971-1975 was based on the price reform of 1968. There were two goals in the center of our attention: a) to bring consumer prices up to the level of real values, and b) to extend the circle of open pricing.

The party resolution of those days proscribed 10 to 15 years as the time period for changing over to an actual value pricing system. Based on the expenses (producers' prices) of those times, the 1971-1975 price plan stimulated the cessation of 30-40 percent of the budget's price subsidy. With the exception of raising meat prices, we have completed this program; but because of the 1973 explosion of oil prices, the 1975 price subsidy surpassed that of 1971. And the postponed increase of meat prices was implemented in 1976.

The extension of the circle of open pricing was meant to strengthen the equilibrium function of prices. We have completed this program somewhat less fully than expected. In the period between 1968 and 1975, the sphere of open pricing should have expanded from 23 percent to 50 percent. In reality, however, the ratio of goods with open pricing has reached only 35 percent. The primary cause for this was that the impact of the price explosion on the world market could not simply be automatically passed onto the domestic pricing system.

In the construction industry we were forced to retreat, as on the investment goods markets the demand remained, and it may even have increased. In connection with investments financed by the enterprises, we even decreased governmental prices in 1968, as a result of which regulated prices remained only in 40 percent of the construction industry. Since 1974, on the other hand, we have restricted open pricing to repairs and maintenance work, i.e., to 10 percent of all construction activities.

The second middle-range price plan encompassing the period 1976-1980 was based on the 1974 re-examination of our price policy conceptions. This re-examination

was necessitated by the international oil price explosion in the fall of 1973. The price of oil quadrupled "from one day to the next." In light of this, prices on the world market were adjusted proportionately. For this reason we were forced to rearrange the chronological sequence of the necessary pricing changes. Similarly to other oil-importing countries we also had to face the problem of the "oil bills," and the inequilibrium in the international balance of payments. The main goal of the new price policy conception was to adjust to the altered relative prices on the world market. It became imperative for us to take measures to influence consumption in accordance with the needs of our foreign trade.

The third middle-range price plan for the period 1981-1985 was based on the price adjustments of 1980. This time our main goal is to continue conditions which make it possible for prices to adjust themselves properly to decisions concerning structured policies, and which offer effective support to a rational managment of raw materials and energy sources.

Price Prognosis

The aim of this short summary was to give us a glimpse of the general trend and orientation in the development of the pricing system. The long-range guidelines for this price system development, however, were established only in 1979. It was in this connection that we have put into effect the 1980 price changes, and have developed a price policy conception for the Sixth Five-Year Plan. The limits of this conception--in harmony with the calculations for the Plan--are shown by the following indexes:

Price Level Developments between 1980 and 1985

Identification	Growth of Price Levels - 1980-1985 Average for 1980=100	Average Annual Price Increases (%)
FOREIGN TRADE PRICES:		
Exports - hard currency prices	134.9	5.9
forint prices	113.4	3.0
Imports - hard currency prices	140.6	7.6
- forint prices	118.2	4.7
PRODUCTION PRICES:		
- In the production system	121.5	4.4
- In the consumption system	123.5	3.9
In export system		
- In roubles	115.0	3.0
- In other than roubles	118.0	3.7
CONSUMER PRICES:	128.0	4.5-5.0

The five-year price plan is based on the foreign trade price prognosis. We are presuming that inflation will continue on the world market, and so will the relative prices of natural energy resources.

According to our prognosis, during this 5-year period we can count on several export price increases (around 35 percent), and a nearly 4 percent deterioration in the terms of trade. On the basis of this, at the current rate of exchange, the export price level will increase at an average rate of 7 percent per annum. These calculations are based on the following assumptions: The price of crude oil on the world market will increase faster than inflation in general, but there will not be a third oil price explosion. Increase in energy consumption during the 1981-1985 period will increase only by 10 percent. Most of this will be primarily in electrical energy, which will be derived from atomic generating stations, from coal-powered plants, and from imported electrical energy. The stabilization of hydrocarbon consumption on the 1980 level will make it possible to avoid non-ruble crude oil imports. In line with this, the development of crude oil (and natural gas) prices for the middle-range will be set by the COMECON price agreements. This means the pursuance of world market prices on the basis of a five year average.

In the course of the preceding debate, the question was raised: Couldn't the improvement of our marketing policies counterbalance, partially or fully, the limited decline in the foreign terms of trade that arises under such conditions? We can virtually be certain that by improving the fulfillment of commodity production and marketing demands unnecessary price losses will decline. We are forced to suffer these losses because of our inability to keep the deadlines, meet regular delivery schedules, quality control, also the lack of export stocks, lack of adequate spare parts and maintenance services, cause problems. Last but not least, our inability to exploit the potential of modern methods of cooperation.

Our plans are based on the premise that it is much easier to distribute the extra gains derived from better-than-expected terms of trade than to cancel the already committed developments. We are reminded of this also by the experiences of the Fifth Five-Year Plan, wherein it was precisely the worse-than-planned terms of trade which became one of the causes of over-consumption.

Consumer Prices

The central question in preparing our middle-range price plan, was the targeted increases in consumer prices. The Sixth Five-Year Plan considers a 4.5-5 percent annual increase in consumer prices. This scale was arrived at on the basis of two different approaches. This is necessitated on the one hand, by our policy concerning the standard of living, and on the other, by the need to adjust to world market price development.

The goal of the Sixth Five-Year Plan is to retain the existing standard of living and the current real wages. As a byproduct of improving productivity, and in accordance with the automatization of income regulations, nominal wages will increase by 4.5-5 percent per annum. Should consumer price increases be less than expected, then real wages will increase. Should these increases be more, and should the losses not be compensated through budgetary wage-supplement measures, then the wage spiral will be put into operation. The projected increases in consumer prices is roughly double the price increases experienced during the Fourth Five-Year Plan. In spite of this, during the period of the Sixth Five-Year

Plan, our possibilities for reducing and limiting budgetary price subsidies are more limited than during the period of the Fourth Five-Year Plan. Our primary attention must be directed toward making certain that domestic prices of the natural energy resources follow non-ruble import prices, and that the level of producer prices of industrial goods move with the changes in non-ruble export prices. Furthermore, we will also have to make sure that the so described changes in producer prices should also be reflected in the consumer prices while keeping in mind the necessary balance between supply and demand on the domestic market.

The Role of Exchange Rate Policy

Among the factors surrounding the introduction of the price system and price mechanism in 1980, exchange rate policy has acquired a unique significance. This is based on the effects of many factors. The State Planning Committee has established three criteria for the exchange rate policy: economic balance, especially in foreign trade; improvement in the efficiency of exports and the system of production; and the guarantee of relative price stability.

If domestic prices were to be decided by the prognosticated foreign trade prices, then, in case of an unchanging commercial rate of exchange, consumer price increases per annum could not be kept within the limits of 4.5-5 percent. Our price policy concept presumes to counteract a portion of the world market inflation.

To totally counteract world market inflation would require a 7 percent annual revaluation of the forint. But in light of the deterioration of the terms of trade, there is no possibility for such a solution. At best the forint can only be re-valuated by 6 percent per annum, in line with the level of foreign trade prices. But world market inflation is taking place in conjunction with the systematic reorganization of price relations. By keeping in mind the price spread according to product group, the opinion has developed that on a national economic average 60 percent of the inflationary profit can be neutralized with the exchange rate while the remaining 40 percent must be retained at the enterprises. But this question has still not been fully decided.

Past and future debates concerning prices generally arise in the course of efforts to coordinate individual and distinct requirements. Based on specific economic analyses and on primary goals, one can arrive at divergent conclusions as to which requirement should precede which others and to what degree, and which are the specifically limiting factors. This is all the more so, as already during the development of our price policy concept we raised the question: Doesn't the effort to neutralize a portion of the export prices increases through price corrections constitute too severe a requirement?

There are those who believe that it is difficult to uphold one's interest in exports when the commercial exchange rate of hard currencies decreases by 16 percent in 5 years. This is particularly so in light of the gradual cessation of subsidies for modernization given on the basis of exports. Our price policy is predicated on the belief that permitting a portion of the inflation to enter is in itself a relaxation of the requirements for the improvement of efficiency.

The Question of Two Tier [Pricing]

One of the goals of the price readjustments of 1980 was to restore a two tier pricing system. This two tier pricing ceased during the period 1976-1979, when we gradually stopped subsidizing the costs of import materials and energy sources. By raising the import prices of natural energy resources, production price levels began to approximate consumer price levels. In fact, in 1979 they even surpassed the latter by one percent. The price readjustments of 1980 should have created a 3 percent price level difference. In actuality, however, only a one percent difference was realized. This difference is connected primarily with the second, i.e., the 1979, explosion of world oil prices; and with the fact that during the second half of 1979 unexpected increases occurred in the world prices of raw materials.

To many, the mere 2 percent difference in the two tier pricing system seems incomprehensible. This is explained by the fact that the projected 3 percent differential pricing presumed only a 10 percent increase in the 1980 producer price levels. Actually, however, this increase amounted to 20 percent. The significant increase in the producer prices beyond the planned level is due first of all to mathematical errors committed while calculating the macro-scale input-output balance. We are repeatedly learning that, because of the large aggregates, the mutual dependency of cost increases are constantly being underestimated while calculating the input-output tables. In line with this, a sizable portion of the higher than expected price increases took place in the domestic verticals. However, the price differentials were calculated not with the aid of input-output tables, but by the direct method of the changes in the turnover tax and the consumer price subsidies.

Future developments in two tier pricing are very significant from the point of view of the possible valuation of commercial hard currencies on the basis of a uniform rate of exchange. For this reason we have raised the question of the possible need to increase pricing differentiation. But in view of the deterioration in the terms of trade, and in light of the need to keep the level of real wages constant, the increase in two tier price differentials would only be possible if labor productivity would increase far beyond the planned levels. At the same time we also have to consider that the one percent price differential applied to retail trade amounts to 7 percent. In our pricing system, producers' prices are linked to consumers' prices by an 11 percent normative turnover tax. This is a satisfactory condition for a unified exchange rate policy. In the next few years we will have to strive to widen the differential between consumer and producer prices of goods and services, that are sensitive from standpoint of tourism.

Strengthening Profits Motivation

Only within an economically defined price system does profit movitation produce conditions that are in harmony with the interests of society. This is why it is imperative for us to strengthen further the rational functioning of the pricing system. This was why we introduced competetive pricing into our processing industry.

Moving from a cost pricing system over to a competitive pricing system involves many difficulties. This is understandable if we realize that in cost price based systems prices do not control but only serve to intrinsically recognize the given enterprise structure, manufacturing technology, and production mechanism. As opposed to this, a competitive price is an objective sum, which is determined by price relations in the world market, where profits and losses measure one's international competitiveness.

The debates concerning the workability of the pricing system and its effective applicability to given enterprises is indicative of the year 1980. This debate is also a manifestation both of the immunity from price pressures, as well as of the desire to lessen these pressures. In 1981 and in the ensuing years, however, we will have to strive increasingly to expand competitive pricing, as well as strengthening the role of prices, in the rational attitude of the companies, also in sectors where pricing is done purely on the basis of costs. Within the processing industry we will have to perfect pricing at the so-called "sequence" [koveta] enterprises; primarily where this would result in being freed from the competitive pricing system, and therefore where there is the danger that cost pricing would be revived. Our attention, however, must primarily be concentrated on food production and on the construction industries.

In every sector we have to establish the conditions for the rational functioning of prices by considering the specific branch peculiarities. In food production the next step is to ensure the existence of conditions that will permit the food industry to join the competitive pricing system.

This is a different question in the construction industry. Investment products constitute specific types of goods. In case of productive investment, the value is regulated not by the financial investment into the project, but rather by the world prices of goods produced by that project. If the price of goods produced by the increased capacity surpasses world prices, than this part of the investment cannot be regarded as representing any value. High costs come about when the size of the plant, the production technology and the construction of the product are uneconomical. In such cases, costs were too high from the very beginning, or they became such because of too costly construction, or because of a too protracted construction time. One of the important goals of the upcoming years is that the material interests of all of the economic institutions that participate in an investment project should be judged on the basis of the principle of economic efficiency.

9271
CSO: 2500

MINISTER DISCUSSES AGRICULTURAL SITUATION

Warsaw ZYCIE WARSZAWY in Polish 11 Dec 80 p 3

[Interview with Agriculture Minister Leon Klonika]

[Text] Mr Minister: We all would like to know how long we will have to tighten our belts. What is the situation in agriculture, what can we expect in the immediate future, and when can we expect some improvement? Or--What next, Mr Minister?

LEON KLONICA: The situation in agriculture is bad. Nor does the coming year promise to be anything spectacular. We have 600,000 hectares of additional unsowed area. We will have problems with seed; a considerable portion of the farmlands has suffered flood damage and mostly in regions of intensive farming. Next year we will have to put a lot of effort into restoring the farmlands to good "condition." Also, we cannot expect any sizable increase in the deliveries of fertilizer--next year we will have from 7 to 10 kg more nitrogen-phosphorus-potassium per hectare; the increase will be noticeable but not spectacular. Likewise, we do not expect any greater increase in the deliveries of machinery and of crop pesticides, etc. The fodder balance is very unfavorable; along with the largest imports of grains and fodder in our history, we have 5 million grain units less than last year. In this situation, livestock population is bound to decline. It is bound to. We cannot avert this. On the other hand, we must initiate all possible actions aimed at making the decline as small as possible.

ZiN ["Life and Modernity" press column]: What actions?

L.K.: We have decreased to 86 kg the weight of the hogs being procured at the price of first-grade hogs, the weight of slaughter cattle to 350 kg, and we have reduced to 400 kg the weight of cattle being procured at a price which has been set for fattened animals. We thus increase the rotation of animals in stalls in livestock buildings, and, with that, we decrease the consumption of fodder, because up to these weights less fodder is needed to increase the live weight of the animals. Accelerating the rotation allows us also--which is particularly important this year--to utilize for further breeding calves, young pigs, and piglets, whose production is particularly difficult during the current year because of fodder shortages. We have issued a directive to meat industry enterprises to sell a pair of young pigs to every interested buyer. The purchaser will receive credit financing for the cost of purchase and a guarantee of delivery of 200 kg of fodder on condition that he will sign a contract to sell us one hog. We estimate that these actions will enable us to earmark 30,000 to 40,000 young pigs for fattening.

ZiN: This is not a impressive figure.

L.K.: But it is not a final one, either. I hope that though these actions we will encourage small farms to fatten hogs, even if only for their own food supply. These farms abandoned the fattening of hogs because of difficulties in purchasing fodder, if there were no contracts to sell the animals, and also because of the ratio of the procurement prices of slaughter hogs to the retail prices. A part of small house-related farms on the outskirts of small cities ceased to exist. I believe that health regulations played a smaller role here, and a larger role was played by "esthetic" ones; but we will try to loosen even this sanitary straitjacket. Of course, this does not mean elimination of health regulations and depriving the Department of Health of its authority. Independently of this, we are preparing a 2-year program which will permit us to solve fodder problems.

ZiN: I am concerned about the fate of the fodder supply pool for small breeders. I know how easy it is for stronger ones to corner the market. How will you see to it that this will not happen again, even now?

L.K.: I will not be able to do that; not even all of the numerous personnel of the ministry could do that. I depend on rural self-government.

ZiN: Does the agriculture minister also need the rural self-government?

L.K.: This minister needs it more than any other one. At the beginning of our interview I spoke about negative factors in agriculture; now it is time to mention positive ones. The most important of them is precisely the rural self-government which is now reviving in various forms.

ZiN: We will return later to this very important problem of rural self-government. Let us speak some more about matters of technology. You have mentioned that in the coming year the deliveries of fertilizer will increase so much that the application of fertilizer will increase from 7 to 10 kg per hectare. The farmers have been also promised that the entire increase in deliveries will be earmarked for them. The intentions are very good, but will they indeed be implemented? We know that the distribution of fertilizer up to now has been made according to a peculiar "distribution key:" first place has always been held by the "best harvest" province, and the remaining supply pool has been distributed among themselves by provincial governors with a "strong" position, and by directors of large combined farms. This has been done according to the principle of personal acquaintances and "tight connections." How will you break this up?

L.K.: Again, I rely on the rural self-government. The fertilizer is distributed through Communal Cooperatives, and the farmers can and should control these closely. In addition, during the coming year we will introduce a new economic system for state farms which will force them to conscientiously calculate their profitability.

ZiN: This system has been already sharply criticized.

L.K.: Do you have in mind the interview given to SLOWO POWSZECHNE by Prof Ryszard Manteuffel? I think that he was criticizing a system which had been worked out several months ago; the one that we want to introduce is completely different. Its basic principle is the criterion of profit; we leave in it only these production subsidies which serve agriculture overall: for seed production, pedigree breeding, maintaining

a herd of stallions, etc., and also for housing construction, social construction, and for culture, e.g., maintenance and conservation of historical monuments. There will be no production subsidies. Of course, this does not mean that the system which we are presently proposing is ideal and that Professor Manteuffel and other experts cannot make critical observations about it. We will certainly listen to them, but--I have always repeated--we cannot stop our activity while searching for ideal solutions. This is the most urgent matter now.

ZiN: Will this system also force the management and the work forces to withdraw from unprofitable production? Here the greatest encumbrance is animal production.

L.K.: Yes. We will terminate the breeding of animals where there is no fodder and where the costs are the highest. This will apply both to state farms and to production cooperatives and to SKR [agricultural circle cooperatives].

ZiN: Do you not anticipate larger "transfers" of fodder from socialized farms for use by private farmers?

L.K.: I am familiar with the opinion that in the present situation it is necessary to take away from socialized farms a considerable portion of the fodder supply pool and to give it to private farmers. I would do it if I were certain that this transfer of fodder would really contribute to increasing the animal population on private farms. But this could occur only if we had "a good potato crop." This is always a basis for hog breeding. And this time the farmers do not have potatoes. We have not calculated for them how much they have of their own fodder, but I estimate that their situation is a very difficult one. I repeat--we will in no way prevent the decline in animal production in 1981, but we will try to make it as small as possible, and particularly we will maintain the parent, basic herd, so as to have a biological base for restoring the animal population.

Zin: Have the increases in procurement prices yielded anything?

L.K.: The prices of young pigs have risen in the market places, intermediary procurement has decreased sharply, and the share of sows at the procurement centers has fallen off. These are positive symptoms, but I am very restrained in evaluating this phenomenon. It is still too early to speak of any kind of trend; this can be just the first reaction which still can reverse itself. Here it is necessary to stay alert and to watch closely what is happening in the rural areas so as not to permit a decrease that is larger than the one based on the availability of fodder. But even where we will limit the fattening of animals because of the shortage of fodder, we will firmly require and make sure (no longer calculating the cost precisely) that the herd of sows and cows is preserved and increased. If we have good harvest next year and at least some favorable weather, we can anticipate a successive increase in the animal population starting in the third quarter.

ZiN: It is possible to restore the animal population of a herd relatively fast. In the forties, action "H" was carried out, with the hog herd doubling from one year to another.

L.K.: Indeed, a hog herd can be restored relatively fast, though certainly not doubled. We were starting from a different level in the forties. Indeed, the herd population in 1945 did not even amount to 2 million head. We estimate that the decline in animal population can reach 3 million head. The effects of the restoration usually come at

the earliest half a year later. Or, we can expect real improvement only at the beginning of 1982. Now we must do everything in order to prepare the groundwork as best we can for the anticipated start.

ZiN: In this 10-year period, the greatest decline occurred in 1976 and 1977 and, without doubt, its causes were also political. It was precisely then that, among other things, the sale of land to private farmers was stopped. Do you not believe that we can stop the decline by creating good political conditions in the rural areas, that it can be the best preparation of groundwork for a future start?

L.K.: Of course. Everybody works better under favorable conditions--this applies to a farmer as well as to a minister. How often did we shift to the farmers the public resentment because of economic failures, implying that the farmers received so much and gave little.

ZiN: Until we reached the grim figure of 4 percent of industrial production going to the benefit of agriculture.

L.K.: We have calculated this precisely--there is more of it, exactly 5.8 percent.

ZiN: That figure is not cheerful, either.

L.K.: In well-developed countries this figure is between 12 and 15 percent. As a beginning, then, we have taken away from agriculture the odious epithet of the "devourer of our economy." We are aware of the needs and of the fact that these needs will not be urgently satisfied. And so--it is not the farmers who bear the blame for our economic difficulties, but we have to appeal to them for greater effort. I do not believe these appeals make sense if we do not satisfy the farmers' aspirations for governing jointly with us, and if we do not make them feel that they are our full-fledged fellow citizens.

ZiN: Or, if we do not give them self-government. What should it be like?

L.K.: It is not a minister's role, particularly now, to define self-government. I can only repeat what I said in the Sejm: The final form of rural self-government will be determined by the farmers themselves.

ZiN: But can you say what you expect of the rural self-government?

L.K.: I expect partnership in contructing the principles of agricultural policy, joint decisions in the area of land management and the distribution of means of production, and controlling the administration. Here, as an official with considerable experience, I would warn against one thing: the administration can be inclined to shift its duties to its partner and to burden the later with its own administrative work. The rural self-government should not assume the duties of the administration; it cannot be some kind of "police," or for example, act as the seed service. It can and should control, inspire, demand--but not act as a substitute.

ZiN: What have you and your people done now to improve the atmosphere in the rural areas?

L.K.: Until the publication of legal acts which regulate the matter of the relationship between the administration and the self-government, we will issue guidelines which will obligate the local administration and the offices of communes and voivodships to treat rural self-government units in a new manner. Particularly in the communes,

self-government units will have the right to issue opinions binding for the administration in matters of land management, distribution of the means of production, etc. We have decided to pay the difference in price to those farmers who sold their crop of edible potatoes before the increase in procurement prices. Justifiably the allegation has been made that losses were suffered by those most honest farmers who sold their potato crop earlier. We will make good these losses. We want to review the pension and retirement law, and to consult the farmers about the proposed changes. We will also consult them concerning proposed laws dealing with land preservation and the integration and exchange of farm lands. In the coming year we will not decrease subsidies for services, and so the prices of the latter should remain at the same level. There is a proposal to equalize the sugar allotment to all farmers after the new harvest. We will eliminate land tax on mountain farmlands. We will analyze the base for some prices of machinery and tools; we agree with the farmers that the price of a plowshare and similar tools is scandalously high. A freeze has been ordered on the prices of the means of production; nobody will have the right to raise prices without the consent of the minister of agriculture.

Zin: You will most certainly see to it that it is done!

L.K.: Of course I will! I will certainly see to it that it is done, because I am able to do so. We have tried to do it even earlier, but then we did not have, practically speaking, any influence on the prices of machinery. Furthermore, we are changing our credit policy toward private farming, and will earmark more funds for credit financing of housing construction. We want to pay the entire cost of recultivation which is now paid by private farmers. We will grant scholarships from the state budget to young farmers who are studying, and we will lower our requirements applicable to elder farmers with regard to education necessary to obtain the diploma of qualified farmer. We will bring about a further simplification of those regulations which make life difficult for farmers.

ZIN: What, in your opinion, is the most important in the rural areas at present?

L.K.: The rural self-government. The rural areas are now very active; new structures are being formed, new draft laws are being prepared concerning trade unions and rural self-government which will create the legal basis for these. Now I can only repeat: the minister of agriculture also needs an authentic, strong rural self-government. Authentic, that means, one in which the farmers will have a decisive voice.

ZIN: Thank you for the interview.

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STOJANOVIC DISCUSSES ECONOMIC, PARTY SHORTCOMINGS

Sarajevo OSLOBODJENJE in Serbo-Croatian 27 Dec 80 pp 3-4

[Published remarks made by Nikola Stojanovic, chairman of the Central Committee of the League of Communists of Bosnia-Hercegovina, in Sarajevo on 10 November 1980 in a conference with opstina party officials]

[Excerpts] On 10 November the conference was held in Sarajevo with chairmen of opstina conferences and secretaries of opstina committees of the League of Communists at which opinions were exchanged on carrying out the resolutions adopted at the 11th Meeting of the Central Committee of the League of Communists of Bosnia-Hercegovina. Since the tasks involved are extensive and complicated, a large number of those attending participated in the discussion, citing important experiences in practice, but stressing as well the problems which should be resolved at a faster pace.

Nikola Stojanovic, chairman of the Central Committee of the League of Communists of Bosnia-Hercegovina, also participated in the debate. He emphasized that the 11th Meeting of the Central Committee of the League of Communists of Bosnia-Hercegovina set forth the platform which under the present conditions of socioeconomic development is the basis on which the political battle can be waged effectively and the working people and citizens mobilized to carry out the policy of economic stabilization. Nikola Stojanovic dwelt particularly on certain issues, emphasizing that the platform adopted at the 11th meeting has supplied an impetus in the fight to raise the standard of living of the working people as citizens. He urged adoption of programs in every opstina organization of the League of Communists and in every sociopolitical community and that those programs give foremost consideration to questions related to the standard of living. "The way in which the fight is to be waged," Nikola Stojanovic said, "presupposes an understanding that the standard of living can be improved only by a steady rise of income, that is, by a development of society's productive forces. It is therefore indispensable to orient the fight toward those areas of life in which the most rapid growth of income can be assured and the material base of self-management, i.e., the material foundation of the authority of the working people and citizens, will be ensured. This is the essence of the fight for economic stabilization," Nikola Stojanovic stressed.

Capital Investment Projects Are Also a Condition for Productivity

One extremely important question is the productivity of labor; this is the alpha and omega of overall progress and the basic issue in the entire activity being carried out in our society. In this connection we do not give sufficient consideration to the kind of labor productivity that is involved. We are excessively inclined to concentrate our attention on individual products of labor, one-sidedly or perhaps exclusively dependent upon our own surroundings, and in political terms this means that when we pose this problem as the League of Communists, we are actually addressing our criticism concerning the situation with labor productivity solely to the direct producer. And at the same time we are conveying the message that we can get out of the present situation, that is, raise labor productivity, only if the direct producer raises the individual productivity of his labor. Objectively there is quite a bit of this in our specific activity. This is harmful, since, first, it is not in line with the real state of affairs, and second, the line of action has been wrongly plotted and is addressed to the wrong place. It is obvious that we do have unused potential with respect to individual productivity of labor, the productivity of the worker's labor at his work station, and that we must encourage and raise the productivity of labor through various activities, especially by applying the principle of distribution according to labor.

However, the key issue with respect to the productivity of labor in our society is the issue of the social productivity of labor. As for unused potential, it makes it possible for us to take a large step forward through faster development, and from the standpoint of those making decisions, it demands above all that we direct our criticism of the situation and of behavior toward other structures in society and least of all toward the direct producer. This especially applies in seeking solutions that will guarantee a rise of the social productivity of labor. If we wage a successful fight in this area, we will necessarily achieve the preconditions for the rise of individual labor productivity as well.

To a considerable extent capital investment projects determine the social productivity of labor; it will depend most directly on whether we invest the available resources in something that yields a smaller income or something that yields a larger income. If on the basis of certain narrow and one-sided interests which have not been coordinated we push unprofitable investment projects, investment projects which have a small direct or indirect impact on the growth of income, then it is obvious that we are not taking the social productivity of labor into account. We are thus creating conditions which will not help us to achieve a faster growth of income regardless of how hard the workingman is striving to achieve individual productivity of labor. If we continue to shut ourselves off into small regions with respect to investment decisions, if we do not initiate a process of pooling labor and capital more rapidly, then investment projects will bring less income than is possible if the level of the pooling of labor and capital were higher. This is the most direct way of holding back the rate

of growth of the social productivity of labor, and we are thereby preventing the direct producer from yielding greater benefits under more favorable conditions with respect to individual productivity of labor as well. The social character of resources and of income presupposes that these barriers be broken down and that the economic benefits of our living together on the foundations of self-management be fully expressed.

The questions of the volume, efficiency and pattern of investment and of each investment decision in particular, and especially of the workingman's role in making the decision, are related in the most direct way to the growth of social income, not only the income in the work organization in which the investment is being made, but also to the growth of income in the republic as a whole, that is, to the growth of the social productivity of labor.

That is why the questions of the volume, pattern and efficiency of investments and of the way in which the investment decision is made are key issues related to the social productivity of labor.

Analyzing Hiring for Administrative Positions

Then there is the question of spending. To what extent have we implemented the policy position adopted at the 11th Meeting of the Central Committee of the League of Communists of Bosnia-Hercegovina to the effect that broader space should be created for material production to develop and increase its income? Have we analyzed spending in every community item by item? We have stated that there is no one large item which in and of itself would pull us out of this situation, but that the sum total of economies on all the items, including even the very small ones, will surely yield an order of magnitude very important to achievement of development. In the Presidium of the Central Committee of the League of Communists of Bosnia-Hercegovina we have debated all forms of expenditure of material resources in the most direct way and have emphasized the need for an analysis of regulations.

We lump all those activities together under the question of how we are to conduct a policy governing expenditure in the future, regardless of the amount of resources involved. We have said that this effort must be evident in all structures of our society. But how evident is this effort at the base, how ready are we to look at ourselves and our behavior and on that basis to conduct not a campaign, but a normal, regular and measured procedure of reassessing expenditure, just as we are reassessing all other items related to development. It is therefore indispensable to analyze expenditure for social services to see whether something can be saved here, taking as our point of departure that economy is equivalent to optimum expenditure.

There is another important issue I would like to raise, one that might become problematical if the activity is not conducted in the right way, and

that is the extent to which the present level of development of our production can support the present size of the administration. The term "administration" is perhaps not the most suitable one, since here I am referring to all forms of labor outside direct physical production, as well as to administration in organizations of associated labor engaged in physical production. If we were to pose this as a question to be debated in principle, that would lead nowhere and would only yield a bad platform, that is, a good platform for those who wish to do mischief. But it is a fact that we must make analyses and examine what reserves exist and how they can be utilized.

I think it would be a good thing if there were no further hiring for administrative positions anywhere until the analyses are made. Let the analyses be made, then if new people need to be hired, let them be hired. If there is a surplus, then that is a problem which has to be examined separately, and a determination made as to how many people constituting the surplus in offices could work in production.

This also needs to be done in order to make it possible for activities outside the sphere of material production to operate as they should. This means that this effort cannot be reduced to a negative attitude toward this type of activity, but means that it should be brought within those limits which are derived from the essence of achieving the free exchange of labor at the present level of development. If the free exchange of labor had taken on more life and if the issues were raised and resolved through contacts between working people in physical production and those outside the sphere of physical production, then we would not have to say these things. We can also refer to this in the sense of our direct commitment to analyze the performance and operation of self-managed communities of interest, that is, to examine relations in the domain of the free exchange of labor. The present situation especially demands that we take this up in order to create room for faster development as a whole.

In Some Places Investments Are Misunderstood

In the course of his further participation in the debate the chairman of the Central Committee of the League of Communists of Bosnia-Hercegovina spoke in particular about the problems of the social productivity of labor and, as a related matter, about utilization of available capacities. He said that development cannot be achieved solely by demands for larger investments, though no one can be opposed to capital investment projects which are based and founded on real and effective programs. He urged analyses of utilization of the resources invested so far, analyses of utilization of capacity so that it could then be seen what should be done to achieve better utilization of capacity with relatively small--and in some places even so small as to be token--investments, or with no investment at all. In that way, Nikola Stojanovic said, the social productivity of labor would rise, new people would be hired, and income would grow. In this connection the chairman of the Central Committee went on to say:

"I am afraid that this attitude toward investments is misunderstood in some places. Bringing investments within realistic limits and the demand for renunciation of unrealistic programs did not mean a demand that we stop thinking about the tasks of development. We must work even more on the questions of development, on achieving quality development and on fuller utilization of available potential, that represented by production capacity particularly. We must instill this kind of logic and behavior through political-ideological action in every particular place. In that way we will be successfully opposing in the most direct way efforts to perpetuate the tendency of the extensive method of development, which unfortunately are fairly common."

Certain manifestations and the attitude that exists here and there demand that we think more about what the market is in the context of self-management's development.

The first thing we should take into account under the present conditions of our society's development is that there is no self-management without stronger affirmation of the market, that is, of economic laws on the market. Any negation of the market and of market attitudes based on the principal attributes of economic laws and the basic attributes of the market actually means a strengthening of voluntarism and subjectivism in social relations. Such a situation objectively leads to a strengthening of administrative regulation and centralist management in economic relations and on that basis in other domains of social relations as well. Such a situation makes it impossible for the workingman to decide on income in basic organizations of associated labor and to participate in resolving all the questions of reproduction in society as a whole through relations of interdependence and mutuality, on the principles of distribution according to labor, and on the basis of the social character of resources and income.

Without the market there is no income that has been objectively evaluated, that is, there is no recognition of the work of the basic organization of associated labor. Under such conditions very problematical and usually inequitable relations can arise between organizations of associated labor, between industries and sectors, and within the working class.

That is why the question of the market, on which primary distribution takes place, is one of the essential and key issues in our present development of self-management. The constitution states very clearly that equal socioeconomic relations must be built in this area and that equality must be based on economic criteria, not on subjective redistribution of income from one portion of associated labor to another, a process that is itself alienated from associated labor.

The Workingman Cannot Always Pay for Losses

In this connection we should bear in mind that it is not possible to objectively determine even many of the interests and working needs of the

workingman and citizen unless there is a market at the present level of development of the productive forces. Many needs are expressed in the process of exchange, either on the market or through free exchange of labor, which we set up in the constitution. If economic laws are not operative, then it is difficult to express the real, individual and community interests of the working class and to ensure the constitutional position of all portions of associated labor in society as a whole.

When the topic of investments arises, the Central Committee chairman went on to say, party members must fight for realistic respect of the present level of development of society. There is a need to respect the market as the locus of exchange where work receives its social recognition. Otherwise there is no objective evaluation of the income of the organization of associated labor.

Nikola Stojanovic then criticized certain manifestations, saying and illustrating that certain work organizations operating at a loss are continuing to develop their same line of production. When it is asked why this is being done, Nikola Stojanovic said, the answers given are that this is necessary to society and that this is in the broader social interest. This kind of logic is frequently evident in conversation. However, no one asks the workers whether it is in their interest to decide to invest income and labor in the "production" of losses. If society does not recognize their labor on the market, that is, at the place where labor is evaluated by society, it is in their real interest to examine the situation, to organize themselves and to invest in that production which will yield a larger income and will thereby assure them larger personal incomes.

Nikola Stojanovic went on to say: "In quite a few such cases the broader interest is waved like a flag. In this society the broader interest is concretized in real economic relations. In these cases it is no longer a question of the nonexistence of real arguments and of an inability to recognize the true state of affairs and to propose a program for a way out. We therefore must insist far more on economic criteria in the conduct of economic activity. Of course there can be no question of any absolute market mechanism, since in our system both the plan and the market are operative. If someone wants to carry on production and carry out programs which create losses, then let him furnish the conditions for that to that portion of the working class, that is, let him be ready to cover the losses, and not allow the losses to be paid for by the workingman through his low personal income even when he is not to blame."

It is unacceptable in the context of the energy shortage and at a time of the world energy crisis for workers to be leaving mines because of low personal incomes. Why shouldn't these workers have considerably higher personal incomes? If there is someone who thinks that this would be a bad thing, let him work in the mine. We do not have coal, there is an energy crisis, so why, then, are we afraid for the miner to have a personal income even as high as 2 million? When society needs coal and there is someone to

pay for it? Why are we now delaying the solution of this problem? The fact that we cannot solve other problems in the entire commune or in the republic need not be a reason for that. After all, it is not the same thing to work in a mine and in an office. The situation is such at present that there is no other way for us to get coal but to pay the workers what is necessary. If we set personal incomes at a realistic level, there will be more coal and energy--and both the worker and society will gain thereby.

Respecting the Market in the Posing of Problems

It is said that our personnel are leaving ferrous metallurgy, which is a fact, but we cannot administratively stop them from leaving. How is this industry to develop if it does not have personnel? At the same time our steel is 30 percent cheaper than, say, in West Germany if we take their foreign domicile prices. The Ljubija Mine shows losses in a situation when we are paying much more for imported ore which has the same value in manufacturing.

I am citing these examples in order to draw the following conclusion: the situation in primary distribution will not change if regardless of it, because of certain "higher" and "broader" interests, we demand at all costs that all resources we have again be invested in those industries and production sectors. We will never solve the problem in this way, nor will we raise the social productivity of labor in the republic or employ the working people to any significant extent.

This reference was not made so that we would take a positive or negative attitude toward programs which have their regular procedure, but more to show what failure to respect certain economic laws on the market means. If the Zenica Steel Mill had prices at the level of foreign domicile prices, it would probably have a net income of some 100 or 200 billion. But now it probably has 100 or so billion in losses. For whom and for what reason?

I would like to say that raising problems in the first manner actually requires a respect for the market and relations on the market. This, of course, presupposes the operation of the foreign market as a factor through which a favorable influence can be exerted on our development. The next question is the social compact on personnel policy. We have done quite a bit in this area, but at the same time we have also committed quite a few errors. At certain times and places we have forgotten that the principal aim of the social compact on personnel policy is to social personnel policy and to democratize relations in this field. We have often said that every citizen of this republic, all the way down to the little boy chasing the rag ball, must be certain that in this society he and his work are crucial to what will happen and which jobs will be performed, and that things do not depend on someone else's determination, nor on some detached and subjective assessment.

There are two basic reasons why the League of Communists was the initiator of the compact and a participant in its adoption. First, in order to ensure democratization and socialization of personnel policy, and second, so that it could keep abreast of affairs and so that it could publicly state its position if it objected to some individual from the standpoint of his moral and political suitability. There was never a desire for party members and organs of the League of Communists to determine what stands as a constitutional right of organizations of associated labor. The League of Communists has a duty to fight unstintingly for affirmation of the self-management rights of the working people and for achievement of the authority of the working people and citizens in this area.

The League of Communists and the Problem of Technocracy and Bureaucracy

There have been times when because of the inappropriate way in which the League of Communists participated in carrying out personnel policy we allowed ourselves to get into a very complicated situation in which the question could be put as to how consistently certain organs of the League of Communists were in some cases implementing and respecting the social compact. I think we should examine the errors committed as soon as possible and correct them. We have come into a situation where in many cases we are determining who will be the director of a work organization, of a basic organization of associated labor, who will be the dean of a school at the university, who will be the principal of an elementary school, and so on. The essence of the social compact is not in that, but in our contribution to the process of democratization, for decisions to be made the way it is stated in the constitution and in accordance with self-management, which is the only possible way.

Another issue that is urgent at the present time, and will be for a long time yet, is the attitude toward the technobureaucracy. We are not doing enough work and analysis on the problems of technocracy and bureaucracy as social phenomena, and at times we come into a situation where we treat the individuals who hold certain positions a priori as technocrats and bureaucrats. It is a fact that technocracy and bureaucracy as a way of thinking and a way of acting are related most directly to the conditions under which a man operates. The greater the importance of a man's position, the more opportunities there are for his technocratic and bureaucratic outlook to gain greater expression in human relations. But we make a tremendous mistake if we conclude from this that someone is a technocrat or bureaucrat solely because he holds a particular position which has been entrusted to him by society.

There has been a reaction, in part justified, by personnel who hold important positions in society. It seems as if someone holding a position in the League of Communists cannot be a technocrat or a bureaucrat, while someone, say, in associated labor, in government administration, and so on, is a technocrat and bureaucrat by that very fact. It is difficult to generalize, and this generalization of the attitude toward technocracy and

bureaucracy could be misunderstood unless certain premises are taken for granted. We are talking about manifestations so pronounced that at times they are disturbing. We must evaluate people according to their attitude toward the action program of the League of Communists and toward the tasks they face in the development of self-management, rather than to classify them according to the duties which society has assigned them. More should be done so that none of us is condemned for being a technocrat or bureaucrat in advance, merely because of his position. There is a little bit of that in all of us. It is just a question of which social conditions bring this out more in one person and less in another. We must therefore create social conditions for development of self-management as a social relation which prevents anyone from displaying a technocratic or bureaucratic outlook.

Let us recall that Edvard Kardelj rightly emphasized that this is a complicated phenomenon which we must confront precisely because the technocrats and bureaucrats are among us, above all in the League of Communists. The situation is very problematical if we divide ourselves up on the basis of the positions we hold at the moment. I think particular attention should be devoted to this phenomenon in the future political action of the League of Communists: that is, affirming the operating methods of the League of Communists and on that basis contributing to democratizing the development of self-management and the development of democratization in our society as a whole.

The Criterion of Income as the Basic Quantitative Standard

The chairman of the Central Committee of the League of Communists of Bosnia-Hercegovina continued his address with a discussion of the policy governing personal incomes. He emphasized that last year there was an effort to bring personal incomes within real limits and that effort succeeded. But, he added, "at that time the high rise of the cost of living was also confronted. It would be very bad if we quickly foil everything we have achieved and if now, under pressure from the higher cost of living, we allow personal incomes to exceed normal limits. We must therefore take a differentiated approach. The main thing is to fight for higher income and on that basis for higher personal incomes, in production above all. So there cannot be restrictions on the growth of personal incomes if they are the result of a real growth and of normal conditions related to labor productivity and income."

Since we have constantly asserted that the further we get from production, from producers, the more lackadaisical is our management of resources, this means that a growth of income should not automatically mean an increase of the same size of personal income in work communities, nor for all of us outside production itself. That ought to be the ceiling. Everywhere the criterion of income should be the principal quantitative standard. Unless we encourage the position that a growth of income for the production worker also signifies a growth of personal incomes, then there is no struggle for

stabilization. The fact that someone will still have lower personal incomes in other basic organizations because it is performing less well is another question.

Under present conditions it is especially important to safeguard the standard of living. In no case we look upon the compact concerning personal incomes as a kind of scheme according to which we would have the same position with respect to the level of personal income regardless of our work. The basic essence of the compact is that work and income are the criteria for one's position in the distribution of personal incomes.

There is talk about coal, other people talk about the wood industry. Could there be anything more nonsensical? There is no wood, plants are not operating because there is no wood, there are no lumberjacks, and their personal income is between 600,000 and 800,000 old dinars. If a realistic personal income for a lumberjack is 1.8 million, if that is what the needs require, then that is the normal personal income. Anyone who thinks that is too much, let him go to work as a lumberjack. This, too, is an element of what happens on the market. Now we are reasoning about whether a lumberjack should have a personal income of 1.8 million old dinars, and about how this compares to the personal income of a professor, a politician, the president of an opstina, a committee chairman, rather than respecting what the real interest is at the present moment.

If the market supports this, demands it and ensures it, then what is it we would have? Not a market to be treated as some holy object, some automatic machinery, but a market that stands as a real expression of this interest. And if we were to make calculations, if we tripled personal incomes, earnings would increase tenfold. It turns out that we will be fairest if the lumberjack has that personal income and if we are poorer unless manufacturing capacities in the wood industry operate, and so on. We must take this into account. Unless we do that, we will not be a part of stabilization.

Who is going to allow his child to become a lumberjack when he knows that the working conditions are very hard and his personal income will be 600,000 or 800,000 old dinars?

However, if the lumberjack has conditions that signify that not only at work, but also at home after work, he will live better than if he sits in an office, then you will not have to ask young people if they want to become lumberjacks.

Make a Distinction Between Production and What Is Outside Production

We have a similar situation in many fields of education. Certain standards have been set for educational institutions, conditions have been set for admission, and on that basis suggestions are made to young people, but young people nevertheless decide independently of the priorities and intensities of the real needs of society and of reality. Nor is it any wonder,

since the needs of society are not sufficiently manifested when the development of educational institutions is being planned. In this situation we have a "surplus" of certain personnel and on the other side a "shortage." When they finish school, young men and women are dissatisfied that they have been trained, but cannot find a job. The principal cause lies in inadequate relations based on income between education and associated labor in material production. It turns out that we have been taking subjectivism for a basis and we feel that our conception is the only correct one.

We do not sufficiently respect the real nature of life itself. I would therefore issue a caution that we should be more careful about letting personal incomes get out of hand because of the standard of living, that is, allowing them to rise regardless of productivity and income. Should personal incomes need to be increased apart from that, then we should examine possibilities for those categories whose standard of living is jeopardized because of the prices of the most basic needs of life.

In political activity we need to make a distinction between production and those things which are done outside production. If a production worker is creating an income, I do not know of any basis on which we would restrict the growth of his personal income in line with the growth of income. Because he will have a higher personal income than I do? If we examine all personal incomes on the basis of the personal income we have ourselves, if that is our criterion, then there is no stabilization, then we are taking an erroneous position.

I therefore think that particular attention needs to be paid to this, since now broad pressure will be made because of the rise in the cost of living, and we must take a differentiated approach to this.

When the producer violates an agreement, we need to talk to him differently than we would with someone outside production. Here we should insist on democratic persuasion. The fellow in the nonproduction sector should not be allowed to violate the agreement. These are still two different attributes from the standpoint of the creation and distribution of social income. In production we do have some sort of scale, we do have some sort of standards, but there is none of that in the administration. In administration it is enough for any one of us to argue that such-and-such equipment is necessary for such-and-such jobs, such-and-such personnel are needed, so-and-so many operatives, and usually provision is automatically made not only for the overall amount of resources, but also personal income every month. This is not possible in production, and if it is, it has a different effect on the growth of income and on its expenditure.

Consequently, in concrete activity I would make a distinction between production and administration with respect to the growth of personal incomes. This should not be taken as a negative attitude toward the administration, but is made imperative by reality. That is, all of us together have not known how to find the best standards of measurement, and the upshot is that spending is somewhat more careless in the administration than in production.

Forces and Personnel Should Be Bolstered Through Personnel Policy

The next question is achieving social compacts on personnel policy, which we will accomplish in the best way if we all assume that we are the ones who will be leaving positions. After all, it is being asked whether we have always shown sufficient human and communist attention toward personnel who have honorably performed their duty and who are still contributing in other places?

There are cases when we conduct the entire procedure, but the individual has no idea that it concerns him, and he learns this only when the decision is made. This is an unacceptable method. Even if it had to do with an enemy, I think it should be told in advance that we are not accepting him for such-and-such a reason and so on. When people come and seek a dialog, we sometimes refuse them. We should always accept a dialog, this is an occasion for presenting the reasons for everything that needs to be clarified.

Application of the 1-year term of office is now under way; the mechanism of personnel changes in official positions will be at least fourfold faster. As a sociopolitical phenomenon this will be rather important. We have to make efforts so that personnel policy strengthens our forces and our personnel, rather than weakening them and pushing people away.

Accordingly, I would pose the problem in terms of building relations and not of driving people away. In saying this I do not mean that it is always done consciously, it happens to us all sometimes that for reasons unknown we somehow do not manage to get out of a situation which arises as a problematical one for somebody.

In his discussion of all these issues Nikola Stojanovic particularly emphasized that they should be looked upon from the ideological and political standpoint, and not, as some do, in a way that is isolated and detached from overall political developments and political situations in the republic and in the country. The question of the standard of living, the supply of the market and other questions discussed at the conference directly concern the vital interests of the working class, the working people, and citizens, and they have an impact on the way people think and on attitudes. If, then, Nikola Stojanovic concluded his address, these issues are constantly at the center of our general political attention and an integral part of activity in all institutions of the political system, then those difficulties and problems will not recur which we have recently faced and which have demonstrated that some of these issues were not at all at the center of attention of sociopolitical organizations and numerous institutions of the system, but were to a greater extent and even exclusively the concern of commercial work organizations in which individuals were often conducting policy and not contributing to satisfying the needs of the working people, but indeed making things more difficult.

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PLAN OUTLINED TO RAISE KOSOVO AGRICULTURAL PRODUCTION

Belgrade KOMUNIST in Serbo-Croatian 29 Dec 80 pp 13-14

[Text] During the course of the medium term plan period, which is practically winding up in the development of an agro-industrial complex in Kosovo, considerable results have been attained in all of its components. However, because of the importance of this area of social reproduction for the total development of Kosovo Province, as well as current and future requirements and capabilities for the coming 5-year plan period, an even more rapid and intense development of the province is being planned. The basic purpose of this is to provide increasingly greater quantities of food for the needs of the populace, and to assure raw materials for the food processing industry. This development is based primarily on a more rapid and intensive development of the socialized sector of agriculture, and socially-organized agricultural production in the private sector, and on the further development of the food products industry through the introduction of a higher degree of finishing of its products and an increase of product mix.

Change of Production Structure

According to the Draft Agreement on the bases of the social plan in the development of an agricultural complex, which is based on the guidelines for the development of Kosovo and the Draft Agreement on the social plan for the development of the country for the coming medium term plan, it is anticipated that the annual growth rate of this sector as a whole during the next 5 years will be 6.6 percent. Agricultural production is to rise at an annual rate of 5.9 percent, production in the food processing industry is to rise at a rate of 10.6 percent, and in the tobacco industry, at a rate of 9.5 percent. Within the agricultural sector, only the growth of field crop production of 5.5 percent will be below the average, whereas all the others will be above average--fruit raising by 6.3 percent, viticulture by 7 percent, and livestock raising by 7.3 percent.

However, in order to realize these predictions, it is necessary to work more intensively on increasing yields in plant and livestock production through improving land quality, through fuller application of modern agrotechny methods, the introduction of new high-production varieties, and in livestock raising, through changing the breed composition and higher quality feeding of stock. It is also necessary to strengthen the socialized sector of agriculture organizationally and to include the private sector on a broader scale in all forms of

cooperation on income-based relations, for the purpose of increasing overall agricultural production and improving the living standard of the farm population.

In field crop production, a change of the structure of sowing in favor of more intensive cultivation is anticipated, which means that the area under grain crops will be decreased and the production of industrial and fodder crops and vegetables will be increased. However, this does not mean that the production of grain will be lowered. To the contrary, with improved organization of production, and complete high-quality mechanization, the activation of irrigation systems and microreservoirs, and the organization of specialized and scientific service, at the end of the coming plan period, the production of 31,000 carloads of wheat (currently, it is 21,630 carloads) and 34,500 carloads of corn (currently it is 17,693 carloads) is foreseen, and there will be an increase in the production of other grains, although it will be of a smaller scale. This will make it possible to expand the capacity for the further finishing of flour, in which case, priority will be given to flour for the production of pasta, biscuits, and pastries, and these capacities will be built within the framework of those organizations actually engaged in the development of the sectors in which they are located.

An increase in the production of industrial crops shall be carried out through increasing the sown areas and yield per hectare. Of course, this will also provide for a greater share of Kosovo raw materials in supplying the processing capacities (this share is 25 percent for the Pec Sugar Refinery and 85 percent for the Urosevac Oil Factory at present), and increasing their production thereby.

Through a fuller utilization of natural conditions and systems for irrigation, a dynamic increase in vegetable production will be attained, which is very important with respect to the increasing needs of the populace and the processing industry. For this purpose, protective cultivation with the use of plastic in the private sector and glass for the production of early vegetables in the socialized section will be expanded, and this will be done in sectors where possibilities exist for providing lower cost heat energy.

Advancement of Fruit Raising, Viticulture, and Livestock Raising

During the coming period, the production of fruit will undergo highly dynamic growth through a drastic change in structure in favor of small berry-like fruit (raspberries, blueberries, blackberries, and strawberries) and through expanding the area, which the advantages of the hill and mountain area make possible. For this purpose, an increase of plantation fruit orchards is anticipated of 3,000 hectars--half in the socialised sector, and half in the private sector. The expansion of the capacity of the Djakovica Juice Factory will be effected on this basis also.

Favorable natural conditions also enable the intensive development of viticulture to occur during the coming medium term plan. The basis of this is the achievement of higher yields in existing vineyards, and the establishment of new vineyards, so that in 1985, the production of grapes will amount to 8,400 carloads, of which 5,200 will be in the socialized sector, and 3,200 carloads will be in the private sector, and the production of wine will be 4,900 carloads.

The increase in livestock production at a rate of 7.3 percent is based on the increase in productivity per head, a change in the breed composition, and higher quality feeding and accommodations. A rapider growth in cattle, poultry, and swine production is planned in the socialized sector through the building of 5 cattle farms of 600 head apiece, a sheep and goat farm and a turkey farm, through expanding poultry farms and building new ones, and through increasing the capacity of the swine-raising farm in Gornje Dobrevo for 25,000 fattening pigs, which in actuality, represents its doubling. In the private sector, primarily through the building of minifarms (4,000 minifarms with 6 cows apiece on the average, etc), and the acquisition of hybrid stock, there will be an increase in production in cattle raising, poultry raising, and sheep raising. The increase in the number of livestock of course will also guarantee the increase in the volume of livestock production. Thus, according to predictions, in 1985, there will be a total production of 4,000 carloads of meat, 245 million litres of milk, 260 million eggs, etc.

Fully Satisfying Demand

The development of the food-products industry is based on a fuller utilization of existing production capacities and the construction of new capacities. Renovation and modernization will be initiated in the meat packing industry, the vegetable processing factories, dairies, and factories for producing feed and fodder, along with the construction of new capacities for processing milk and corn, and also new slaughter houses, cold storage plants, and sales areas.

However, it is worth stating that Kosovo, in spite of a significant increase in volume of agricultural production, which will modify the shortage of basic agricultural products, will continue to have a shortage of 9,000 carloads of wheat, 1,600 carloads of corn, 1,850 carloads of sugar, and 5,600 carloads of meat. This deficit portion of production will be provided for from other regions of the country, through joint investments in production proportional to needs, and in part, through the covering of our own plentiful products (grapes, some types of fruit).

And lastly, in order to guarantee this kind of development of an agroindustrial complex of Kosovo, investments are needed also, naturally. According to forecasts, they will amount to 11.813 billion dinars in the coming 5-year period, and this will be investments in primary agricultural production of 7.882 billion dinars (4.019 billion for the socialized sector and 3.803 billion for the private sector), and 3.991 billion dinars for investment in the food processing industrial capacity. These funds will be provided for both sectors through internal funds, credits of the World Bank and the Kosovo Bank, and through domestic and foreign commercial credits for the socialized sector.

Naturally these kinds of predictions, which are based on real possibilities for the needs of the development of the agroindustrial complex of Kosovo during the coming medium-term period will meet with the exceptional support of the working people, the private agricultural producers, and of all subjective forces in this important sphere of social reproduction, in order to convert the plans into reality.

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CSO: 2800

PROFESSOR PJANIC INTERVIEWED ON CONFUSION IN ECONOMY

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1563, 14 Dec 80 pp 13-15

[Interview with Dr Zoran Pjanic, full professor at the School of Economics of Belgrade University, by Scepan Rabrenovic: "Handling a Hot Potato"]

[Text] The subject of our interview, Dr Zoran Pjanic, full professor in the School of Economics of Belgrade University, hardly needs any introduction. Not at least to readers of NIN, in whose pages he has appeared as author and also as the subject of interviews. We will enumerate only some of the numerous positions he has held in the past: he has been prorector of Belgrade University, he was a deputy to the Serbian Assembly for two terms and president of one of the chambers of the Assembly, he was the first chairman of the Federal Economic Council (from 1963 to 1968), he has been president of the Scientific Section of the Federation of Yugoslav Economists (from 1971 to 1975), and he has been president of the Yugoslav association "Science and Society."

He is a member of the Executive Council of the European Scientific Foundation and the editor in chief of the Encyclopedia of the Economic Sciences.

In recent months Dr Zoran Pjanic has been unceasing in alerting us to the extent of the difficulties in which we find ourselves. He has done this with respect to both external and internal factors. He is issuing warnings even now:

"Our country's position in the context of the world economy is very difficult. We showed understanding, nor were we alone, in accepting the 1973 rise in petroleum prices, since the price of petroleum really had been held down on the world market. However, since 1978 two monopolies have been fighting on the petroleum market: the monopoly of producers, who want to keep the petroleum market a sellers' market, while the others, the customers, are trying to regain the previous positions, to make it a buyers' market.

"Since that time the price of petroleum has been rising rapidly, since the producers are using a tried and true means: production is always a few percentage points below consumption. The advanced countries, however, possess monopolies in the production of food, industrial products and knowledge, and they manage to insert the higher price of petroleum into their own products--sometimes more successfully, sometimes less successfully, but they do manage to do it. Thus world commercial relations, whether we are talking about petroleum or any other commodity, are constantly deteriorating from the standpoint of our economy.

"Another very important thing is that since petroleum is sold for convertible currency, the advanced countries, when they fall into difficulties related to the balance of payments, can borrow their own currency from their own banks that is created through the deposits of petroleum producers. We and similar developing countries not only have higher outlays to purchase petroleum, equipment and other goods, but we must provide the convertible currency to solve the problems of a deficit in the balance of payments."

Forgotten Priorities

[Question] It is obvious that not only did we not foresee what would happen on the world market after petroleum became more expensive, but we did not do everything on time so that we could make up for those larger outlays through our skill and production. Doesn't it seem to you now that petroleum still cannot in and of itself be an excuse for all the troubles we are having?

[Answer] Our commitments in the plan covering the period from 1976 to 1980 were sound. Among other things, we committed ourselves to substitute imported energy and other important raw materials. By and large those commitments were not kept. We produce less coal, less iron ore, less food and also less of other important raw materials that we had planned.

There are several reasons why this is so. One has to do with price policy. If we compare the economic position of producers of primary products and final products, then it is evident that the position of the former, measured by objective criteria, is appreciably worse. Primary production, in addition to all that, is not attractive from the standpoint of investment; these are capital-intensive industries which employ few workers, and employment is a strong motive on the part of sociopolitical communities.

Aside from that, the mobility of capital in our economy is extremely low.

[Question] Can the low mobility of capital be explained by the fact that accumulation has moved from the economy into noneconomic activities? The surpluses of sociopolitical communities, not including the Federation, this June were 48 percent larger than last June, and those of sociopolitical organizations were up 36.4 percent.

[Answer] This situation is probably a consequence of failure to solve systemic problems related to the pooling of capital and accordingly the problem of the movement of capital from the place where it is appropriated as accumulation in that direction where it will yield the greatest social benefit. Since the sociopolitical communities, and here I am thinking of the republics and provinces, have assumed the obligation to resolve structural problems and to take care of the fuel and power industry and transportation infrastructure, for example, this kind of accumulation has been created by force outside the economy. This will continue until the benefits from voluntary pooling of capital have been ascertained.

First the Market, and Only Then Unity

[Question] Isn't one of the reasons why those benefits have been pushed aside the ever more pronounced "republicanism" in the economy?

[Answer] As early as the amendments, and especially with the 1974 Constitution, we introduced two principles which have equal importance: full sovereignty of the nationalities expressed through the republics and provinces and the unified market. Certain serious economists and lawyers pointed out at the time that there was a danger of conflict between these two equally valid rights. I think that this dual definition is good, since we must respect the sovereignty of the nationalities, and it also extends over the economic sphere. Often I have emphasized in our statements that because of the specific way our country came into being and in view of the fact that it encompasses regions with a different historical past and a different legacy, different producer and consumer preferences have come about, and we must give the republics and provinces room so that all of this is expressed.

However, the unity of the Yugoslav market has been very clearly defined in the constitution. To put it crudely, the unified Yugoslav market has three main preconditions: first, the movement of labor, capital and goods. Second, a uniform measure of value, and finally, uniform protection against foreign competition.

We have made a serious start toward creating national economies but Yugoslavia itself is not a large geographic area when it comes to withstanding competition on the world market. We will make our position more difficult unless we achieve our results on the unified Yugoslav market, which, aside from its being unified, must also be an authentic market.

[Question] It still seems to us that our economic thought has to some extent become "republic oriented."

[Answer] That is unfortunately true. At meetings of economists, whether organized within our own Federation and the academies, or at some other meeting, if you do not know the names of those participating in the discussion, you can recognize what region they come from. Some of my colleagues

do not think or commit themselves in terms of the optimum elements related to our society as a whole, but operate from positions of the narrowly conceived interests of their regions. I might illustrate by mentioning only that famous debate about the criteria for assessing level of development. Definitions like that are not very scientific, but are based on the political views of the respective communities.

Confused Criteria

[Question] More and more frequently we hear that our criteria of business success have been confused, that is, that they were derived from the wrong premises. How true is that?

[Answer] The Law on Associated Labor, which has been called a little constitution, which indeed it is, provided for eight mandatory criteria, several supplemental criteria and a multitude of so-called criteria by agreement. If we take our criteria, for example, income per worker and the ratio of income to capital, and if we take two closely related industries, cement and construction, we find that with respect to one criterion construction has performed well and the cement producers have not. With respect to the other criterion it is the reverse.

You can imagine the situation when there are eight possible criteria--where, then, is the real basis for firmer linkages and for evaluation of investment undertakings and other things? We ought to have one basic criterion from which the entire system is then derived.

[Question] To what extent are these confused criteria to blame for the fact that certain laws embodying this system have not been "translated" into practice? Or is it the fault of those laws themselves?

[Answer] The 1974 Constitution furnished our basic commitments with respect to the political and socioeconomic system. Beginning with the Law on Associated Labor and then the laws embodying the system, laws on planning, on the credit and monetary system, the foreign exchange law, the law on prices, and this most recent law on expanded reproduction or past labor, this conception was supposed to be rounded out and transformed into an operable economic system.

It is my impression that certain solutions, for all the best intentions, were perhaps hasty, that they overlooked certain objective elements and that today we are therefore in a position where what we refer to as the economic mechanism is not functioning well.

We often hear that the present difficulties are the result of nonenforcement of our legal commitments. This is only part of the answer. It is certain that there are forces which oppose the commitment to self-management and the solutions which have been furnished. However, we must always proceed on the premise that self-management is the condensed expression of

the interests of the working people themselves, that is, that they themselves accept self-management.

For a time we said that the economic system was not functioning as well as it might because we had not rounded out the entire system. Except for the law on past labor, all the laws embodying the system have been adopted, so that criticism of this kind cannot be defended. One colleague of mine has said that when something is not being enforced there are only two possibilities: either the laws are not good, or reality is not good. There is no third alternative.

A Large Burden

[Question] One of the excuses we often resort to is that self-management accords and social compacts are not being carried out. What is to be found behind excuses of this kind?

[Answer] In the context of the general commitments to the effect that associated labor is to take control of economic development through self-management accords and social compacts one too many steps was taken. By way of the judgment that purchase-sale relations should be replaced by relations based on shared income, which in turn were regulated by the accords and compacts, we eliminated the market from those spheres of economic life where the market figures not only as the cheapest, but also as the most effective solution. With all this multitude of accords and compacts we have so institutionalized the economy that to some extent it is stumbling under the weight. After all, economic movements cannot be made efficient with such a great number of accords and compacts. We have placed too large a burden on accords and compacts. We should clear the decks and see which is the proper area for the operation of the market, which are the areas where the self-management accords and compacts have their place, and which area is the place for economic policy and planning at the level of the national economy--if we are to arrive at the mechanism that is the most consistent both from the standpoint of our commitments to self-management and also from the standpoint of economic results.

[Question] You speak about the market, but the economy responds more to the determination of political forces than it does to economic laws.

[Answer] When in June, when the devaluation order was issued, you asked me for an article on that measure's possible effects, I wrote that our condition could be described as voluntarism. That passage was dropped, probably by accident. Today that description has become accepted almost universally. Practically everyone is talking about voluntarism as the manner in which orders are issued. At the same time, in order to combat that, emphasis is being put on economic laws.

We often attempt in an expression or in a category to distort the nature of our socialist socioeconomic system. We say that our principal category is

income, but when we speak about it, we forget that we can take two approaches to it, that we can examine it truly as a socioeconomic category, as a general concept, or as an everyday empirical fact--that which is realized by a particular organization of associated labor, a work organization, the economy in one region, and so on.

In that former sense, and that is essential for us, when we say income, we are always thinking of several things expressed in condensed form by that term. First, there are the working people, who are stated to be responsible for expanded reproduction, they are the ones who make the essential economic decisions. Second, as a consequence of that, appropriation takes place in the domain of distribution, and they are not the ones who make the essential economic decisions either concerning the necessary product or concerning the surplus product. Third, people's work is objectively evaluated.

At the present level of the technical and productive forces, and of human communication, this cannot be anything other than a commodity economy producing for the market. The sole objective evaluation is through the market, though we know that the market is not an all-inclusive nor perfect mechanism.

And fourth, since we are talking about a socialist self-managed economy, one of its inherent characteristics is planning. This means that income is the result of these four elements, and when we speak about commitment to income, we are often thinking about that real phenomenon which is manifested in accounting and bookkeeping, where there are many things which are not income in the true sense, which certainly are not the result of that collective's work or that region's work, and all of that is supposed to be eliminated by our measures.

It is an irrefutable fact that the constitution makes it the obligation of the republics and provinces to adopt laws on the surplus profits which are derived from various favorable circumstances--natural conditions, position or other rent. Not a single republic or province has enacted such a law, not because they do not wish to, but because there is a certain confusion in theoretical economics, because of an uncritical acceptance of the conception of income.

From Hand to Hand

[Question] Speaking about price policy you recently said in Opatija that no one wants to hold a hot potato in his hand. What did you mean by that?

[Answer] Whoever is making a decision on price policy in a period of inflation is always holding a hot potato in his hand. In order to get rid of it, he raises the price of his commodity, thus creating higher costs, which means difficulties for other people. The worst position of all is that of the government when it is deciding to freeze prices. That was the position

of the Federal Executive Council after the devaluation order. Three months later the Federal Executive Council, within the framework of an agreement on principle, passed that hot potato into the hands of the republics and provinces, and then they in turn passed it on. The recent order on setting the prices of certain products according to the conditions of the market threw the hot potato into the hands of the economy.

[Question] Now that we are talking about this hot potato, wouldn't it be better if it were always in the hands of those who are producing, that is, so that associated labor shares the burns with the market?

[Answer] That is the way it should be in any normal economy. Whoever sets the prices should bear the consequences.

[Question] One law embodying the system was announced with great fanfare. This is the law on prices. Is all that fanfare in line with what it deals with, that is, in proportion to what it is capable of doing?

[Answer] I think that that law has several defects. Just like the Law on Associated Labor, it contains four criteria which are mandatory for decisionmakers in the economy and another two additional ones which are mandatory for sociopolitical communities.

Aside from that, this law does not contain provisions against monopoly, nor does it provide the elements of which the price is to consist. For example, we are constantly mentioning the poor cost principle and fighting against it. It is clear to me as a political economist that we are contesting the cost principle without sufficient indication as to what that means. Costs are one of the components for establishment of equilibrium. Every commodity producer decides whether he will produce this, that or some other type of commodity and in what quantities and he makes that decision on the basis of economic motivation. He must always compare prices which are formed on the market with his own costs and on that basis orient his production. What is not permissible is to incorporate into the price all costs, even those which are not socially justified, by taking advantage of a monopolistic position.

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AUTOMOBILE FACTORY DIRECTOR BOJANIC INTERVIEWED

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1561, 30 Nov 80 pp 10-13

[Interview with Milenko Bojanic, general director of the Crvena Zastava plants, by Jug Grizelj, NEDELJNE INFORMATIVNE NOVINE staff writer]

[Text] The general director of the Crvena Zastava factory, Dr Milenko, talks in this exchange with NIN about cooperation, based on the concrete example of a large Yugoslav producer, about the consequences of autonomy in operations, disruptions of monetary and goods relationships, and administration. He discussed how the situation came about where six great multinational companies are found on the land of a single unified economic whole, in an automobile industry, and about the consequences of their confrontations.

With about 3 trillion old dinars in total income and about 46,000 employees, at the Crvena Zastava plants alone, the automobile factory is at the very top of the ranking of Yugoslav manufactures. Considering the unusually large number of cooperating units (179), suppliers of semi-manufactured and raw materials (95), and sales and service organizations (191), and representatives in more than 200 opstinas in all the Yugoslav republics and provinces (with cooperating units and suppliers in 131 opstinas, and sales and service organizations in 102, some of which are the same opstinas), an investigation of the cooperation model in the overall Yugoslav market based on the example of this giant enterprise served as an opportunity for NIN to enrich its knowledge with a concrete example from the economy. If we add to that the fact that the automobiles produced by the Crvena Zastava plant are used by even the most remote segments of the Yugoslav populace, it follows that Dr Milenko Bojanic, general director of this complex organization of associated labor, is certainly qualified for these NIN discussions about how to, and how not to, live together economically, about the problems of negotiating and concluding contracts.

[Question] How do the Crvena Zastava plants feel about, and how do they regard, the noticeable fragmentation of the Yugoslav market?

[Answer] A unified Yugoslav market is a basic premise and a vital condition for the functioning of such a large production and commercial system as this (with the new factory that we are starting up, we are talking about facilities that can produce more than 300,000 passenger, delivery and business vehicles annually).

Furthermore, for marketing and especially for production per se, the Yugoslav market is not enough! The same thing is true for all other large, modern Yugoslav economic organizations. Let us consider just the new "Yugo 45" automobile being produced, which is a product of our knowledge and of indigenous Yugoslav technology. Such a product, which incidentally consists of about 8,000 components, could not be created without the cooperation of a large number of domestic Yugoslav, and of course, corresponding numbers of foreign partners.

In other Yugoslav automobile enterprises as well, in any Yugoslav enterprise whatsoever, when the level of today's Crvena Zastava plant is attained, they must come to the same conclusion. The simple fact is that it is impossible to produce and be competitive, without indigenous technology and the cooperation of the overall memory and experience of the country. Therefore, cooperation both on the basis of the Federation (the predominant occupation of NIN's survey) and on the basis of the association of pooled labor and resources, is a condition for the functioning of the economy, and generally is beyond any discussion.

[Question] The example of the Yugoslav automobile industry, however, does not confirm this sort of attitude.

[Answer] Yes, but that is not only true for the automobile industry. Neither previously nor today is the Yugoslav market's status suitable for this course. Inflation for several years, autonomy in operations, problems in monetary and goods relationships, administration regulation of prices, and other factors have guided the economy into closing the market and not toward expanding cooperation and collaboration, division of labor and integration. It is true that cooperation is very slight in the automobile industry, that cannot be concealed even if we wanted to hide it.

I would, however, like to support the opinion of all the participants in this survey about the fact that this situation is primarily the result of the disorders in economic operations, and not of subjective weaknesses, as is often heard. Certainly, there are subjective weaknesses, but to speak of the irresponsibility of these people or those, or about the resistance of some people, as a basic cause of Yugoslav fragmentation is not a serious approach. Divisions, opposition, and pettiness in the Yugoslav automobile industry, and the use of numerous licenses and, on that basis, numerous foreign technological procedures, all of which cost very dearly and hamper the process of unifying and associating of labor,--these are not the product of the thinking of bad people but rather, of deeply distorted economic relations.

[Question] If for a moment we regard a giant labor organization such as yours as a typical Yugoslav example, what generalization can we make about the direction to take in seeking a solution?

[Answer] It is a cause for rejoicing that apparently, and not only in NIN's survey, the same idea has finally prevailed completely and in a thoroughly natural manner: without a change in the position of associated labor, there can be no other solution to our economic difficulties and their consequences on the political, social and other levels. Here I am thinking first of all of the distribution of income between the sociopolitical communities and the organizations

of associated labor. In the present distribution, this is the root of all the administrative measures in the economy and the key for strengthening the position of state regulation in the economy. If of every dinar in the operating funds of the economy, 0.70 is by obligation directed, concentrated and centralized, then it is perfectly clear why the position of state regulation is so great.

[Question] Let us take a short break, and call it a personal one, which is apparently typical for our entire society. As the president of the Executive Council of Serbia, you spoke of the need for qualitative changes in the attitude toward associated labor, but now, when you are at the head of an enormous economic organization, we notice that you speak of those changes with particular fervor. Does that mean figuratively that the river looks differently, depending on which bank one is on?

[Answer] Absolutely. A man's attitude originates with his position in production. One lives differently outside an organization of associated labor, particularly a manufacturing organization of associated labor, and differently in actual production work, where one depends directly on numerous circumstances, on the market situation, on varying income, with everyday risks. Simply to use your metaphor, from "the bank of associated labor," things are seen much more directly and deeply. It is not, however, a matter of those on "the other bank" of direction and administration not wanting to see. There we again encounter the story of some people who either want or do not want something. It is not a problem of the people, but rather of the relationships that are created among people and relationships in the production process, and in management.

[Question] It is obvious that everything being said by participants in NIN's survey, and you in particular, falls into the primer of economic operations, of cooperation and unity. How then can we explain that with such attitudes, there is such a chaotic situation, for example, in the Yugoslav automobile industry.

[Answer] In principle, it is as I said previously: the basis of everything is found in the position of associated labor. Let us take the automobile industry as a typical example. Some years ago, when it became clear to everyone the direction we were taking in that industry, the Zastava enterprise proposed the gradual development of a unified Yugoslav automobile industry.

That was at the time when things could have been changed fundamentally, without serious consequences, when the creation of six separate automobile industries was only just in its conception, each with a different technology and with different foreign partners. At that time I used the image that it will seem to us, and actually it will happen to us that because of the automobile industry we will have interrepublic disputes, and disputes among nationalities, while in fact it will happen to us that great multinational companies, disguised in our national costumes, will fight among themselves on our territory. Perhaps I put it too sharply, but basically I would keep the same formulation: We should not have been the link for six, or I don't know how many, international world companies, but rather we should have sought to agree on the creation of a unified Yugoslav automobile industry. The question as to how to attain that, I think, is primarily a matter of respecting economic principles and of realizing actual mutual Yugoslav interests.

[Question] One of the key measures of cooperation here is the attitude toward the undeveloped regions. What is Zastava's position, and what is its practice in that regard: are we correct when we believe that some of your former important cooperating units, with which you pooled resources, have now become your direct competitors?

[Answer] That is also one of the areas in which illusions reign. I will attempt to approach our practice with cooperating units from another, unusual angle, and to show that there is no difference in the behavior of organizations of associated labor from undeveloped regions or from developed regions, if they are operating in the same economic conditions. First, I should say that the undeveloped areas of Yugoslavia, just as the developed areas, offer a large market for our industry. Therefore, Zastava is constantly developing its production plants in the undeveloped areas, to the mutual benefit of both sides. Summing up the amount the Zastava plants have invested in undeveloped regions, including such regions in Serbia proper, we reach the total of about 200 billion old dinars, to which we should add about 30 billion in the past five years alone, on the basis of legal requirements to set aside income from the plant for contributions to the Fund for the undeveloped regions.

I do not want to burden the readers with details about our organization, except to the degree that they will help us to consider the essence of the cooperation problem. You see, Zastava's automobile runs on four wheels, but I could also say that it goes on two legs. One leg is that of income ties, while the other is that of buying and selling relationships. Simply stated, half of the Zastava car is produced on the basis of joint income, regardless of the area of Yugoslavia in which our organizations of associated labor are located, because they exist on the basis of joint income, on the basis of the realization of the final product, on the basis of the same standard costs and the same standards for personal and mutual consumption.

The other half of the automobile is made on the basis of buying and selling relationships. That means that some plants buy, and others sell; if it pays for them to give it to us, they do so, if not, they do not. The price is determined as they wish, although they know that until recently we could not determine the price of our final product. Certainly, inflation has only worsened this situation, and it has often brought our production lines near the point of stopping. In such a situation, there is simply no difference in the behavior of those in developed areas, and those in undeveloped areas.

I will try to prove that with examples. There is a labor organization in Kosovo, the Ramiz Sadiku plant in Pec, which is a part of our production and commercial system. That plant exists within the Zastava framework as its labor organization, with solid income relationships and with the exact same standards. Naturally, the Ramiz Sadiku plant shares the fate of the entire system, and there are no problems in that either for them or for us, no ambitions to break out of the system and seek some different alternatives. However, we also have a shock absorber plant in Kosovo, at Pristina, which is an independent supplier to Zastava. The position that plant holds led it to refuse to sign a self-management agreement on associating in the production system of the Zastava plants. They would like

to be the exclusive supplier for our production, but also they want to be free to decide to join in some other system, in this case with the Peugot system, one of the previously mentioned six multinational companies. Naturally, and not only because of varying positions in primary distribution of income, but chiefly because of buying and selling relationships, this cooperation does not have a secure future.

Now let us take two examples from Vojvodina, a developed region. First take the example of the labor organization in Sombor that produces delivery vehicles. Like the Pec factory, it exists in the exact same conditions, with the mutual income of the entire Zastava system. We do not have any problems in our cooperative operations with them. There is, however, the other example of the foundry in Kikinda, which traditionally has supplied certain parts for motors, for the DMB [The 22 May Plant, Belgrade], and directly for Zastava. That long-term cooperation was crowned by certain self-management agreements and by membership in our commercial community. However, because of the lack of joint programs and income cooperation, and precisely because of the domination of buying and selling relationships in that cooperation between them and us, they determined in an instant to leave the system and to seek their future prospects in another direction, again with a multinational company, this time General Motors. As you see, we can present such examples from all over Yugoslavia (such as the IMR-Motor Industries, Rakovica plant near Belgrade, in contrast to the DMB plant, also in Belgrade). The problem is not a matter of development or the lack of it, nor of national or interrepublic clashes, but rather it is exclusively one of income relationships, of the degree of true association.

Table: Zastava's Cooperating Units (share based on value, cooperation by republics and provinces)

Serbia proper	57.0 percent
Vojvodina	6.1 percent
Kosovo	2.8 percent
Bosnia and Hercegovina	6.2 percent
Montenegro	5.1 percent
Macedonia	3.1 percent
Croatia	11.8 percent
Slovenia	7.9 percent
Total	100.0 percent

[Question] Things go as they go, some places loosely, in others with operational autonomy, along with great inflation and much administration, yet not only Zastava but also many other Yugoslav systems are growing into true self-management income giants. How is that occurring?

[Answer] We are working not just with complexities, but truly in very difficult conditions, both in regard to supplying and in regard to maintaining the normal operations of the assembly lines, hampered trade with foreign countries, and other pronounced difficulties. Yet nevertheless, when you analyze the situation, you will see that to a significant degree, in the Yugoslav market on Yugoslav

territory, production cooperation has been preserved. Simply put, despite all the obstacles, associated labor looks at the source of its existence, and increasingly imposes its viewpoints on the public and on political spheres. I really am not a pessimist, cooperation will come to be from the basic organization of associated labor level all the way to the Federation. For that purpose we must simply exert much more will and intelligence, scientific views and economic wisdom, and finally, the involvement of the League of Communists in essential determinations.

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18 Feb. 1981